

NCBE MWCH Business Relationship Development – August – December 2009

The collaboration between the organizations developed into a contractor business relationship with NCBE proposing to work with MWCH and take a role in developing back-haul of protein products on airplanes arriving in St. Louis from China. The phrase, "Steaks on Planes", became the slogan. A budget of \$50,000 was proposed and accepted by MWCH.

See the following attached documents:

NCBE MWCH Letter of Intent

CHINA Hub Budget Request 12 09 09

National Center for Beef Excellence



Nancy Heimann – Nancy@EnginuityWW.com – 573-682-0042

National Center for Beef Excellence
3312 LeMone Industrial Boulevard
Columbia, Missouri 65291

October 19, 2009

Midwest China Hub Commission
121 S. Meremac Suite 111
St. Louis, Missouri, 63105

Re: Letter of Intent for Exclusive Management Services

Gentlemen:

This letter sets forth the terms upon which Midwest China Hub Commission ("MCHC"), proposes to engage National Center for Beef Excellence, a Missouri not for profit corporation ("NCBE") to provide management and oversight of the Project, defined to include facilitation of the certain opportunities related to exportation of protein products into the Chinese markets, including research, development and implementation of a Master Plan to maximize opportunities for export of domestic beef products into China (the "Project"). NCBE is an organization focused on creating value in the domestic beef market through collocation of the beef industry stake holders, development of a genetics center, and development of a commercialization center to include, among other things an initiative for facilitation of the certain export opportunities on behalf of the beef industry producers related to the Chinese market. In exchange for its services, Manager will receive reimbursement of its actual expenses (including without limitation, the costs of any third party consultants) and overhead costs, plus payment of fees as mutually agreed in writing.

Except for Section 2, this Letter of Intent is not a binding obligation and the transaction contemplated hereby is subject to satisfactory completion and execution of a written binding agreement related to the duties of NCBE and the compensation due to NCBE for such services (the "Contract") with respect to the transaction contemplated in this letter.

1. The Contract shall include customary terms and conditions typically required by parties entering into a agreement of a kind and subject matter contemplated by the parties under this Letter of Intent and shall include, among other things, those terms described on Exhibit "A" attached hereto and incorporated herein (the "Term Sheet").

2. In consideration of the substantial expenditures of time, effort and expense to be undertaken by NCBE in connection with the preparation and execution of the Contract and the various other substantial activities undertaken by NCBE prior to the current date of this Letter of

Intent, MCHC agrees that it will not, between the date of execution of this Letter of Intent and the earlier of: (i) February 1, 2010 or (ii) the date of the execution of the Contract by NCBE and MCHC, engage in negotiations with any persons or entities other than NCBE relating to the provision of any services to MCHC in connection with the Project. Notwithstanding the foregoing, if NCBE and MCHC are still negotiating the terms for the Contract, the period during which MCHC shall not engage in negotiations with other persons or entities set forth in the preceding sentence shall continue from February 1, 2010 forward until (i) the Contract is finalized and fully executed or (ii) one party terminates the negotiations relating to said Contract by providing written notice of such termination to the other party.

3. This letter shall be governed by and construed in accordance with the laws of the State of Missouri, without respect to its conflicts of laws principles. This Letter of Intent may be executed in counterparts, each one of which is a separate document but all of which together constitute the same instrument.

4. This Letter of Intent may be terminated at any time prior to the execution of the Contract without any obligation or liability, by either party to this Letter of Intent giving written notice to the other party in the event the party giving such notice decides for any reason not to proceed with the transactions herein contemplated. If not terminated earlier pursuant to the preceding sentence or by execution of the Contract, this Letter of Intent shall terminate on February 1, 2010, subject to the last sentence of paragraph numbered 2 above.

National Center for Beef Excellence
October 19, 2009
Page 3

If the foregoing meets with your approval, please execute the enclosed duplicate copy of this letter. Upon execution by MCHC and return to NCBE, this letter shall constitute an agreement between the parties in accordance with the terms and provisions set forth above and NCBE shall begin preparation of a draft Contract for the parties' consideration.

Very truly yours,

National Beef Center for Excellence

By: 

Chad W. Sayre, Chairman

Agreed to and accepted this
21 day of October, 2009.

Midwest China Hub Commission

By: 

Name: Michael W Jones

Title: Chairman

EXHIBIT "A"

TERM SHEET

ARTICLE I

APPOINTMENT OF DEVELOPMENT MANAGER AND TERM OF AGREEMENT

Section 1.1 Appointment of Manager.

Midwest China Hub Commission ("MCHC") hereby appoints National Center for Beef Excellence ("Manager") as Manager, on an exclusive basis as set forth herein, to i) conduct and supervise and manage all aspects of Project and ii) supervise and manage all services utilized by and through Manager on behalf of MCHC in connection with the Project, all in accordance with the terms and conditions of this MOU. Manager hereby accepts such appointment on the terms and conditions of this MOU.

Section 1.2 Term of Agreement.

This MOU shall have a term that commences as of the Effective Date and shall continue for a period of thirty six (36) months (the "Term"), subject to the provisions of Article VI below for extension(s) of the Term and subject further to the provisions of Article VII below for earlier termination of the Term.

ARTICLE II

SCOPE OF DEVELOPMENT MANAGER'S SERVICES

Section 2.1 Annual Business Plan.

(a) Annual Business Plan. At least forty-five (45) calendar days before the end of each calendar year, Manager shall submit to MCHC a report including the annual business plan which contains, at a minimum, the content described in subsection (c) below (each an "Annual Business Plan"). The initial budget attached hereto as Exhibit A is hereby accepted and approved by the MCHC and shall constitute the initial Annual Business Plan for the first calendar year of this MOU unless and until such time as such initial Annual Business Plan is amended in accordance with the procedures set out in Section 3.1(a)(ii). Within forty-five (45) calendar days after the Effective Date of this MOU, Manager shall supplement the initial Annual Business Plan attached hereto with the additional content described in subsection (c) below.

(b) Compliance. Manager shall use commercially reasonable efforts to provide services under this MOU in connection with Project and in a manner which substantially conforms with the applicable Annual Business Plan. In no event shall Manager contract for any work, make any expenditure or incur any liability in connection

the Project which causes the total actual costs for any budgeted Costs in the Annual Business Plan to exceed the amount allocated to such budget line item, except to the extent such additional cost has previously been approved in writing by MCHC.

(c) Contents. Each Annual Business Plan shall include, at a minimum, the following items and schedules for the following calendar year:

- (i) the goals and objectives for Manager during the next calendar year with respect to existing initiatives contemplated for the Project and the development of any new initiative proposed to be undertaken in connection with the Project;
- (ii) a detailed report of all expenditures made by Manager for costs in the prior twelve (12) months in connection with its activities associated with the Project or this MOU, including, without limitation, all amounts expended for development and implementation of the Master Plan, all overhead of Manager allocated to the Project, and any subcontract services performed by any party in connection with the Project;
- (iii) a detailed budget in a form acceptable to MCHC setting forth the projected expenditures of Manager for the next calendar year in connection with the performance of its activities hereunder, including, without limitation, all amounts expended for implementation of the Master Plan, all overhead of Manager allocated to the Project and any subcontract services to be performed by any party in connection with the Project;
- (iv) a plan and a schedule for implementation of the activities to be undertaken by Manager under this MOU in the applicable plan year, including without limitation, governmental affairs goals and strategies, fund raising goals and strategies, and communication goals and strategies;
- (v) a revised Master Plan reflecting the then current status of the Project and the phases then under development.

Section 2.2 Master Plan.

(a) Purpose. The initial Master Plan is attached hereto as Exhibit B. The purpose of the Master Plan is to set forth a plan for development of the Project in phases

(b) Updates and Future Modification. MCHC and Manager acknowledge that the Project is to be pursued consistent with the Master Plan and that, as of the date hereof, the Master Plan is based on a number of assumptions that may change over the Term of this MOU. In that regard, Manager shall update the Master Plan in conjunction with each Annual Business Plan to reflect any changes in the assumptions underlying the Master Plan, the Project or any other changed circumstances.

Section 2.3 Implementation of Master Plan.

(a) Appointment. In furtherance of the appointment of Manager under Section 1.1 above, MCHC hereby appoints Manager exclusively to coordinate all aspects of the Project generally in accordance with the Master Plan (the "General Contract Services"). Manager hereby accepts such appointment on the terms and conditions hereinafter set forth. Manager shall select and engage those third-party consultants as set forth in the then applicable Annual Business Plan, as selected by Manager in accordance with Section 2.3(b).

(b) Implementation. Manager agrees that it shall use its commercially reasonable efforts and employ or contract for such resources and personnel as are reasonably necessary, proper or advisable to implement the Master Plan (the "Special Project Services"). It is understood by MCHC that Manager will select and contract with various sub-consultants and/or contractors LLC, to perform Special Project Services consistent with the Annual Business Plan and this MOU, and MCHC hereby authorizes Manager to select such sub-consultants as Manager believes necessary, in its sole discretion, to complete the work under this MOU. MCHC acknowledges that Enginuity Worldwide, LLC and its managing member, Nancy Heimann, has been selected by Manager to serve as the project coordinator and primary point of contact, respectively, for all of the affairs set forth in this MOU on behalf of Manager and such appointment is hereby approved by the MCHC. During the Term, Manager agrees to coordinate with commercially reasonable diligence the implementation of the Master Plan in all material respects, subject to unavoidable delays beyond the reasonable control of Manager.

Section 2.4 Covenants of MCHC and Manager.

(a) Cooperation. The MCHC covenants and agrees with Manager that it shall fully cooperate with Manager in Manager's performance of its duties set forth herein.

(b) Confidential Information.

- (i) This MOU creates a confidential relationship between the Manager and the MCHC. Each party will keep the confidential information of the other, as so noted by the party providing the information (the "Confidential Information") confidential and will only use such Confidential Information to perform their respective obligations under this MOU. Each party must protect the Confidential Information of the other from both unauthorized use and unauthorized disclosure by exercising the same degree of care that is used with respect to information of its own of a similar nature, except that the receiving party must at least use reasonable care. Upon termination of this MOU, or upon written request, each party will return or destroy all the Confidential Information of the other.

Manager reserves the right to require upon five (5) days notice that MCHC and its agents, directors and employees with access to the Confidential Information sign a separate confidentiality agreement in a form acceptable to Manager.

- (ii) Neither party will disclose to the other any Confidential Information of a third party without the consent of such third party.
- (iii) Each party agrees that the wrongful disclosure of Confidential Information may cause irreparable injury that is inadequately compensable in monetary damages. Accordingly, either party may seek injunctive relief in any court of competent jurisdiction for the breach or threatened breach of this Section 3.7 in addition to any other remedies in law or equity.
- (iv) The provisions of this Section 3.4(b) shall survive termination or expiration of this MOU.

ARTICLE III

MANAGER AND COMPENSATION

Section 3.1 Manager Fees and Compensation.

In further consideration for Manager's provision of General Contract Services for MCHC's benefit in accordance with this MOU, MCHC hereby agrees to pay Manager an amount equal to the greater of _____ thousand dollars (\$_____) or _____ percent (____%) of the total budget amounts expended during each monthly period ("Management Fees"). Any consideration due to Manager attributable to performance of any Special Project Services shall be in addition to the Management Fees as described in this Section 3.1(a). Any amounts payable to Manager under this Section 3.1(a) for General Contract Services shall be as set forth and approved in the Annual Business Plan, provided however, all such amounts shall be deemed approved by the MCHC without further request by Manager for each and every Annual Business Plan during the term of this MOU, whether specifically set out in such Annual Business Plan or not.

Payment of Management Fees in any give period under this MOU, shall be subject to the availability of funding to fund the amounts included in the Annual Business Plan. To the extent funding in the Annual Business Plan is not available to pay any Management Fees, such fees shall become a budget line item in the succeeding year's Annual Business Plan and shall accrue interest at a rate equal to the prime rate of borrowing established from time to time by United Missouri Bank, in Kansas City, plus two percent (2%) per annum, compounded monthly, until paid in full.

Section 3.2 Reimbursement of Manager Costs.

(a) Financial Obligation. The MCHC shall be pay and/or reimburse all actual costs of Manager, as set out in any approved Annual Business Plan.

(b) Reimbursement to Manager. For all costs payable to Manager in accordance with Section 3.2(a), Manager shall present to MCHC a monthly invoice which details all costs incurred by Manager during the preceding calendar month. Manager shall receive payment of interest at the rate equal to the prime rate of borrowing established from time to time by United Missouri Bank, in Kansas City, plus two percent (2%) per annum, compounded monthly, on all invoiced amounts, accruing thirty (30) calendar days after each invoice is presented to MCHC until paid in full.

ARTICLE IV

EXTENSION OF TERM AND OPTIONS

Section 4.1 Extension. Provided that there is no uncured default by Manager then in existence, Manager may, but is not required to, elect to cause extension of the Term under this MOU for up to two additional periods of thirty six (36) months from the expiration date of the Term under this MOU (the "Automatic Renewal") by delivering to MCHC written notice of such election (the "Extension Notice") at least six (6) calendar months before the expiration of the then current term.

Section 4.2 Mutual Agreement. Regardless of whether the MOU is extended in accordance with Section 4.1 of this MOU, the parties may mutually agree in writing to extend the Term as they deem appropriate.

Section 4.3 Termination. At any time after the sixth (6th) full month after the Effective Date of this MOU, including any extension of the initial Term, Manager or MCHC may terminate this MOU without cause, by providing the other party no less than six (6) months written notice of such termination. If this MOU is terminated by MCHC pursuant to this Section 4.3 MCHC shall pay Manager all Management Fees payable up to and including, the effective date of such termination.

NCBE

National Center for Beef Excellence

Proposed Budget for MidWest China Hub Commission (Jan 1, 2010 -- June 30, 2010)

NCBE Overall Projected Budget (Jan '10 - June '10)					
	China Hub Request	Other Public Funding*			Total (Jan 1, 2010 -- June 30, 2010)
		State Funds (MASBDA)	Federal Funds (USDA)	In-Kind Match	
Travel	\$ 10,000	\$ 26,210	\$ 10,000		\$ 46,210
Printing	\$ -				\$ -
Printed Promotional	\$ -	\$ 1,025			\$ 1,025
Web-based survey/IT Support	\$ -	\$ 948			\$ 948
Equipment/Supplies	\$ -		\$ 20,000		\$ 20,000
Organizational Memberships	\$ 7,500				\$ 7,500
Consultant Fees	\$ -				\$ -
Geneticist & Genetics Services	\$ -	\$ 24,000	\$ 45,000		\$ 69,000
Marketing and Business	\$ 5,000	\$ 34,945	\$ 57,500		\$ 97,445
Architect	\$ -	\$ 5,000			\$ 5,000
Food Products	\$ 9,000				\$ 9,000
Export Compliance	\$ 9,000				\$ 9,000
Non-Paid Collaborators	\$ -			\$ 50,000	\$ 50,000
Administrative Support	\$ 3,000	\$ 3,133	\$ 2,500		\$ 8,633
Other Direct Costs					
Subtotals (of each column)	\$ 43,500	\$ 95,260	\$ 135,000	\$ 50,000	\$ 323,760
Indirect Costs	\$ 6,525		\$ 13,500		\$ 20,025
TOTAL	\$ 50,025	\$ 95,260	\$ 148,500	\$ 50,000	\$ 343,785

Budget Narrative -- MidWest China Hub Commission Request

2010 Q1 & Q2 Request

The request of MidWest China Hub Commission for the first six months of 2010 is \$50,025.

The funds will be used to accomplish a preparatory scope of work, as follows:

1. Assemble core team and develop long-term goals and plans
2. Develop Project Plan (including detail for resources, actions, and timeline) for first shipments of Pork to China.
3. Develop Project Plan (including detail for resources, actions, and timeline) for first shipments of Beef to China
4. Collaborate with China Hub to pursue funding to pursue funding for feasibility and final business plan of comprehensive campaign for protein export market expansion.

Expense Category Detail:

The tabulation above shows the anticipated categories of expenditure in support of the backhaul development of protein products to China. Each of these categories is explained in further detail below:

Travel:

Face-to-face meetings with multiple industry groups, governmental personnel, as well as extensive conversations with export stakeholders will be important to export expansion work for protein. The funds allocated to travel represent 20 days of travel at an average \$500 per day.

Organization Membership

NCBE will access the data and expertise of US Meat Export Federation work through a membership.

Consultant Fees:

The contracted consultant fees included in the China Hub budget are focused on export issues and food product expertise. Obtaining progress and access to expertise in these areas are critical to the objectives of export expansion and backhaul of protein products to China. However, these areas are outside the allowable scope of previously funded work, and are therefore critical for the China Hub to sponsor. Your support in these areas will allow the NCBE to most effectively address the scope and tasks at hand.

Other Public Funding*

These funds were secured to advance the genetic and colocation missions of the NCBE. However, NCBE's recent successes in obtaining public funding present significant funds may be viewed as "match" for the China Hub request. Although the uses for each of these sources of funds is well-defined, there are obvious benefits of the on-going work that will benefit China Hub. In addition, NCBE has benefit of countless hours that be have spent by unpaid experts such as CEO's and other employees of industry stakeholder companies.

Contracted staff working in the area of commercial herd and protein product development will have significant opportunity to "cross-sell", and leverage the integrated mission of NCBE and China Hub. Moreover, the benefits will extend beyond public relations and salesmanship to the actual deliverables needed to accomplish the goals of China Hub.

One example of that synergy is the identifiers of animals to meet age and source validation of protein. The verification of age and farm of origin is a prerequisite to effective genetic development work and is also a key consumer need for the export market.

Partnership with Mo Pork Producers, and Pursuit and Award of MASBDA Grant Funds – December 2009 – March 2010

It was discussed between the leadership of NCBE and MWCH to pursue additional state funds through MASBDA. NCBE team took the initiative to establish a relationship with MoPork to jointly pursue a Feasibility grant in the January 2010 solicitation. The MWCH was contacted, and a budget change was proposed to use \$20,000 of the \$50,000 budgeted to be cash match for the MASBDA application. The budgeted amount of \$50,000 was noted as awarded in the grant application.

See the following attached documents:

MASBDA FAST 1 29 2010

China Hub MASBDA Letter of Support and Cash Match

National Center for Beef Excellence



Nancy Heimann – Nancy@EnginuityWW.com – 573-682-0042



THE MIDWEST – CHINA HUB COMMISSION
美国中西部与中国战略经济发展委员会

January 27, 2010

Mr. Chad Sayre, Chairman of the Board
National Center for Beef Excellence
3312 LeMone Industrial Blvd
Columbia, MO 65201

Dear Chad,

The MidWest China Hub Commission wishes to offer our support for the National Center for Beef Excellence's Missouri Department of Agriculture MASBDA grant application, to develop feasibility of market expansion of Missouri protein products to China, and specifically the back haul development to support the China Hub initiative. We support the efforts of National Center for Beef Excellence for this MASBDA, and will be the source of funds to match 10% of the MASBDA award, estimated to be \$20,000.

China Hub is pleased to have the National Center for Beef Excellence (NCBE) as a strategic collaborator in *The Big Idea* mission of establishing a new trade route for Missouri products, and especially agricultural products to China. Though the NCBE and the China Hub Initiative were born of separate visions, the convergence provides each a platform for success.

The NCBE is poised to provide significant support of the China Hub Initiative by marching together towards our common goal of selling Missouri protein products to Chinese consumers. We applaud the NCBE for its vision to facilitate key technologies, coordinate the development of industry specifications, commercialize innovations, speed the enhancements to market and expand the global markets for US livestock products.

Sincerely,

Mike Jones
Chairman
Midwest-China Hub Commission

**Market Expansion of Pork and beef Products through MidWest China Hub
Commission Air Freight Market**

I. Applicant Information

**Don Nikodim, Chief Executive Office
ADDRESS: 6235 W. Cunningham Drive
CITY, Columbia
STATE, Missouri 65255
PHONE (573) 445-8375**

**FAX +1 (573) 446-2938
EMAIL don@mopork.com**

**Total Project Investment: \$269,375
Total Grant Request: \$199,375**

II. Project Summary

The expansion of export markets of all protein products from the state of Missouri is being enhanced by the work of **Midwest China Hub Commission (China Hub)**.

This project brings together pork and beef producers and organizations in an effort to maximize the potential for export market expansion through a new trade route. The trade route will become available through the work of the **China Hub**. Three key stakeholders in Missouri are collaborating with common goals to ship pork and beef products to China. The three organizations and their roles for this effort are as follows:

- **MidWest China Hub Commission** has a mission to expand marketplaces for Missouri products to China, and through bipartisan support at all levels of government. The China Hub is working to build infrastructure at the St. Louis International Airport to handle air freight trade with China. Utilizing excess runway capacity and hanger availability, the China Hub is investing in the framework to make St. Louis a viable alternative to Chicago, Dallas, Atlanta, and Los Angeles for shipment of products from China. A critical key to success, however, is in the development of "back-haul", or the shipment of products to China. In a survey of Chinese traders, American protein products, specifically pork and beef products ranked among the highest in demand for air freight to China. The MidWest China Hub is partnering with agricultural organizations to ensure the expertise and supply to make this backhaul development a reality. China Hub is providing the cash match for this grant, as described in a letter that is attached.
- **Future Ag Sustainable Technologies (FAST)** is a non-for-profit organization affiliated with the Missouri Pork Producers. FAST is dedicated to advancing the markets for protein products to expand and secure the economic sustainability of livestock agriculture, and specifically, pork production. FAST is always on the lookout for opportunities to enhance and add value to Missouri pork products. Expansion of markets and developing a backhaul trade route to China for Missouri pork products, fits the mission and is complementary to the China Hub. The board of directors of FAST is made up of all pork producers. FAST is the applicant for this grant and Don Nikodim, Executive Officer, will have oversight and direction of the work.
- **National Center for Beef Excellence (NCBE)**, a not-for-profit organization working on behalf of beef producers, has a mission to implement initiatives that will create increased value for commercial producers in the beef supply chain and allow the US, and specifically the Missouri beef industry to, become more profitable. The Center's three member Board of Directors has close ties to agriculture and the beef industry. Chad Sayre is the Chairman of the Board and also Principal and Owner of All-State Engineers of Columbia. Chad grew up on a cattle operation in Linn County and has continued the family beef operation as a seed stock and commercial producer. Neil Orth has his roots in a family-owned Hereford seed stock herd. Neil is currently the Executive Director of the American-International Charolais Association representing 3,000 members and 75,000 cows. Rex Ricketts, Ph.D., is the Director of the Commercial Agriculture Program of the University of Missouri and is a seedstock and commercial cattle producer. NCBE will be managing tasks of the project at hand to develop the supply and demand feasibility studies, as well as branding marketing strategies, and proposed business relationships. All consultants on the projects will be subcontractors to NCBE.

The driving goal for this project is to facilitate and accelerate the opportunities to export pork and beef products to China. Additional emphasis is concentrated on the opportunity to ship these products through the trade routes being developed by the China Hub.

III. Identification of Need

The U.S. beef cattle and pork industries, and the rural economy these markets support, are facing times of great unpredictability. While this unpredictability causes hardship, it also provides opportunities for those who are willing to consider new business models and marketing strategies. Weaknesses in our global economy as well as governmental and regulatory hurdles have hindered the global consumer's ability to buy pork and beef products. China is viewed as the most significant for market expansion of for protein (Pork and Beef) product exports.

The **Midwest China Hub Commission (China Hub)** was formed in 2009 to open a new trade route for Missouri products to be shipped via airfreight to China. China's Ambassador to the United States, Zhou Wenzhong, joined local and state leaders in announcing the formation of this new partnership to spearhead and coordinate efforts to make St. Louis a hub for China's Midwest trade. Chinese Ambassador Zhou joined U.S. Sen. Kit Bond, U.S. Sen. Claire McCaskill, state and local governmental and business leaders, and members of the newly formed Commission in announcing the Midwest/China Hub Commission. The China Hub is a public/private entity that will operate both here and in Beijing. "We are pleased with the formation of this new Commission," Ambassador Zhou said. "It is another indication of the strong interest of the St. Louis region in advancing trade links with our country. That interest remains keen on our part as well."

"With the world economy in a slump," Sen. Bond said, "now is the time to be expanding markets for Midwest products and opening up new opportunities for Missouri workers. The Midwest Air Cargo and Air Freight Hub at Lambert will do just that."

Protein products (pork and beef) have been identified as amongst the most desired products for purchase by Chinese consumers and air shipment from the Midwest to China. The need exists to develop the agricultural response to the opportunity the China Hub will provide, and to generate trade opportunities for Missouri pork and beef.

IV. Statement of Objectives

The objectives of the requested funds are to:

1. Conduct a feasibility plan for the purpose of evaluating 1) the viability of supplying protein products from Missouri producers to China through the **China Hub**, and 2) evaluate the feasibility of branding these protein products specifically for the China Hub project. Research conducted as part of the study will define:
 - a. the characteristics of the demand in China for protein products,
 - b. the capacity of Missouri producers to supply products that fit Chinese demand, addressing both supply related issues, government, and regulatory issues.
 - c. the feasibility of achieving transactions and financial instruments to conduct business in China.
 - d. The work product from this objective will be to used to produce a complete feasibility report for the **Center**. (What Center? NCBE, China Hub?)
2. Based on the feasibility study findings, a second objective will be to develop a business and marketing plan that will include detailed proposed product definitions, preliminary brand strategies, and implementation plans for maximizing pricing margins and market penetration. In addition, the plan will include marketing information (definition of product, target market), and profitability proforma (should

this word be performa?) for the offering. The work product from this objective will be a business and marketing plan to guide export of protein products through the **China Hub**.

The economic impact of this project lies in the market expansion realized from successfully opening up a new, Midwest-centered trade route to China. The expansion of markets are anticipated to increase the market demand itself and add value to the producers served. Any value-added opportunities for the 70,000+ family-owned commercial Missouri pork and beef production farms will have a dramatic positive financial effect on the rural communities in which they live and work.

V. Expected Results and Applicability to Development

Based on a survey of Chinese trade groups by the China Hub, pork and beef were identified as the most desired US products for "back-haul" to China. However, while significant opportunities exist, they will not materialize without a sound market development strategy and commitment to execution.

The team convened to spearhead this feasibility project is well-qualified for the task. Dr. Rex Ricketts is Professor and Director of the University of Missouri Extension Commercial Agriculture Program and has extensive experience in managing collaboration among producers, university, and private organizations. Dr. Ricketts is an organizing board member of the **National Center for Beef Excellence**, and will direct and supervise the feasibility to develop a sustainable trade route business concept. Marketing professionals, Mary Ellen Roth, Carol Anderson, and Steve Dubinsky, will comprise a strategic team to formulate the study and deliver market-savvy evaluations to the industry insight and feasibility planning. Each of these marketing professionals has held positions in market and export expansion of beef or pork, and positions across the food production and distribution system. The planning and aggregating of resources to support the proposed feasibility study will be facilitated by Nancy Heimann of Enginuity Inc. She has formerly held positions of general manager, director of business development, and manager of business operations at Orscheln Industries.

The feasibility study will be focused on the analysis of supply side, demand side, and the opportunity to set up business channels to ensure sustainable export activity through the **China Hub**.

It is an objective of the feasibility work proposed here, to understand the level of production that can be expected from Missouri beef producers to meet the specifications of Chinese buyer and to generate a more precise estimate of the economic activity that may result from that export market. Commercial livestock (protein) production businesses exist in all 114 counties of the state of Missouri. The decline of livestock producing farms runs parallel and carries some responsibility for the decrease in economic activity experienced in many rural Missouri communities.

Missouri is the third leading cow-calf producing state, behind Texas and Oklahoma. Missouri is seventh in the production of pork. Sales of cattle and calves generated cash receipts of \$1.4 billion. As those farm level revenues were spent for goods and services, more than \$2.6 billion worth of economic activity was created in the state, primarily in rural areas. Beef, cattle, and pork have been, and likely will continue to be among the most prevalent agricultural enterprise in Missouri's economy.

VI. Plan of Work

The work plan for the requested funding is divided into two phases: feasibility and marketing/business plan, and accomplished as follows:

ECONOMIC FEASIBILITY – Evaluate the economic feasibility of obtaining adequate supply for exporting premium Missouri pork and beef products to China. Focus on Availability & Reliability of Inputs (supply), including regional, product quality, and regulatory aspects of Supply.

1. Inventory domestic meat industry issues by interviews with key stakeholders such as U.S. Meat Export Federation, National Cattleman's Beef Association, and others.
2. Analyze state of domestic logistics as related to China Hub and to securing and fulfilling meat orders from China
3. Work with China Hub Commission to identify specifications and develop adequate facilities (refrig/cold storage) for meat shipments from China Hub

MARKET FEASIBILITY – Evaluate the feasibility and market opportunity for exporting premium Missouri pork and beef products to China

1. Define meat supply/demand in China
2. Develop overview of Chinese food distribution system
3. Identify regulatory needs and challenges
 - a. Characterize Chinese food system integrity – needs analysis
 - b. Understand current political & regulatory landscape
4. Develop Chinese consumer profile

FINANCIAL FEASIBILITY – Evaluate financial feasibility of building partnerships between buyers and sellers of meat products to insure a sustainable approach and business concept:

1. Develop target list of partnership/participation prospects
2. Define and outline partnership/participation proposals
3. Build stakeholder awareness and support
4. Develop "Win:Win" value propositions
 - a. Investigate and identify the key "deal points" for these transactions, including adequate letters of credit, amongst others.
5. Categorize potential for public/private partnership commitments
6. Hierarchy of roles & responsibilities, business levels

FEASIBILITY REPORT – Develop a feasibility report compiling and consolidating the findings from each of the areas listed above, as well as marketing plan recommendations.

MARKET STUDY PHASE

Upon acceptable completion of the feasibility phase, and based on the findings of the feasibility study, develop and write a preliminary brand strategy and marketing plan that will maximize increases to selling price or market penetration that a brand would effect.

1. Evaluate demographics, psychographics
2. Study geographic targets, with special attention to regional preferences
3. Prioritize target markets representing greatest opportunities
4. Propose product platform definition
5. Determine preliminary specifications (cut, grade, packaging, traceability, fresh/frozen, etc.)
6. Propose branding (positioning, imagery, names that resound well)
7. Propose certification process with corresponding authenticity seal
8. Propose pricing strategy
9. Outline proposed production/distribution process
10. Identify potential promotional considerations

11. Plan product/concept testing

The following schedule and responsibilities are proposed for the work.

Phase	Task	Expertise Required	Timeline
Feasibility Report			March 1 – September 1
	Economic Feasibility – Characterize supply of pork and beef	Marketers & Business	March 1 – May 31
	Market Feasibility – Characterize demand in China for pork and beef and identify roadblocks to market	Marketers & Business	March 1 – June 30
	Financial Feasibility – Identify potential buyers and sellers through China Hub	Marketers & Business	May 1 – July 30
	Develop Feasibility Report	Marketers & Business	July 1 – August 30
	DEADLINE		September 1, 2010
Marketing Plan			Sept 1 – Dec 15, 2010
	Follow-Up on Feasibility Findings	Marketers & Business	Sept 1 – Oct 1
	Develop Proposed Branding Plan	Marketers & Business	Sept 15 – December 15
	DEADLINE		December 15, 2010

VII. Facilities & Equipment

There are no equipment leases requested under this project.

VIII. Cosponsors

MidWest China Hub will be providing the 10% cash match, as documented in an attached letter.

In addition, NCBE has benefit of an extensive cadre of supporters and collaborators that will contribute extensive in-kind contribution to this grant effort. These individuals and organizations are as follows:

University of Missouri

Rex Ricketts, *Ph.D.*
 Jeremy Taylor, *Ph.D.*
 Robert Weaber, *Ph.D.*
 Rodney Geisert, *Ph.D.*
 Justin Sexten, *Ph.D.*
 Bryon Wiegand, *Ph.D.*
 Vern L. Pierce, *Ph.D. J.D.*
 Neil Olson, *DVM*
 Craig Payne, *DVM*

Colorado State University

Mark Enns, *Ph.D.*
 Denny Crews, *Ph.D.*

KC Animal Health Corridor

Lynn Parman
 University of Georgia
 Keith Bertrand, *Ph.D.*
 Ignacy Mistzal, *Ph.D.*

Kansas State University

Kenneth Odde, *DVM Ph.D.*
 Dan Moser, *Ph.D.*
 Ralph Richardson, *DVM*

American Angus Association
American Brahman Breeders Association
American Chianina Association
American Gelbvieh Association
American Hereford Association
American Maine-Anjou Association
American Salers Association
American Shorthorn Association
American South Devon Association
American Simmental Association
American-International Charolais Association
Beefmaster Breeders
International Brangus Breeders Association
North American Limousin Foundation
Red Angus Association of America
Santa Gertrudis
Kansas State University

MFA, Inc.
MU Veterinary Medicine
MU Extension Veterinary Medicine
MU Extension Commercial Ag Program
MU Division of Animal Sciences
Kansas City Area Development Council
Bayer Healthcare - Animal Health
Kansas City Area Life Sciences Institute
Missouri Cattlemen's Association
Missouri Beef Industry Council
National Cattlemen's Beef Association
Colorado State University
Washington University
University of Georgia
Cornell University
National Association of Animal Breeders
Fluharty Farms
Nichols Farms

IX. References

MFA, Inc. – Mike John, Director of Livestock Operations Marketing,
Former President of National Cattlemen's Beef Association
Bayer Healthcare, LLC – Animal Health
Todd Firkins, Livestock Category Manager

ATTACHMENT A
Certification of Information

Pursuant to the "Guidelines and Application Format" document for the "Missouri Value-Added Grant Program" administered by the Missouri Agricultural and Small Business Development Authority, the applicant(s) (signing below) hereby certifies, subject to penalties of perjury, the following:

I certify that I am not: (i) a commissioner or employee of the Missouri Agricultural and Small Business Development Authority with a substantial interest of ten percent or more in the project described in the grant application, (ii) a member of the Missouri General Assembly with a substantial interest in the project described in the grant application, (iii) a state-wide elected official with a substantial interest in the project described in the grant application, (iv) a director of a state department with a substantial interest in the project described in the grant application, (v) a parent, child, spouse or sibling of any of the above either of who has a substantial interest in the project described in the grant application, whether singularly or collectively of 10 percent or more.

In addition by affixing my/our signature(s) to this application, I/we certify having read and understand the guidelines governing award of these grants and agree to all conditions set forth therein and attest that all information contained in this application package is true to the best of the applicant's knowledge, information and belief.

The Missouri Agricultural and Small Business Development Authority reserves the right to modify or terminate any subsequent agreements with applicant if, at a future date, the authority becomes aware of misrepresentation(s) contained in this application.

The Missouri Agricultural and Small Business Development Authority may employ the assistance of an expert to analyze the results of any studies in their determination of whether or not the results are favorable as any subsequent phases are the project are considered for funding. By affixing my/our signature(s) to this application, I/we agree that the required information may be released to an expert as determined by the Authority. The expert will be required to sign an affidavit of confidentiality prior to being employed by the Authority.

Applicant Name(s) (type or print): Future Ag Sustainable Technologies Foundation

Signature(s):



Title(s): Don Nikodim, Chief Executive Officer

Date: January 22, 2010

Send completed application and fee to:

Missouri Agricultural and Small Business Development Authority (MASBDA) 1616
Missouri Boulevard
PO Box 630
Jefferson City, MO 65102

ATTACHMENT B
Statement of Potential Funding Sources

PREVIOUS FUNDS RECEIVED FOR THIS PROJECT (list additional sources on another sheet of paper, if necessary):

Source: Midwest China Hub Commission (See Attached)
 Address: 121 South Meramec, Suite St. Louis MO 63105
 Amount: ~~\$50,000~~ \$50,000
 Time Period Funded: Jan - June 2010

Source: _____
 Address: _____
 Amount: _____
 Time Period Funded: _____

Source: _____
 Address: _____
 Amount: _____
 Time Period Funded: _____

PROPOSED FUNDING FOR THIS PROJECT (other than the Missouri Agricultural and Small Business Development Authority):

Source	Funding Request	Anticipated Date of Funding
Internal		
Commercial Lender		
Venture Funding		
Foundation		
State Program (specify)		
1.		
2.		
Federal Program (specify)		
1. <u>China Hub LEDA</u>	<u>50,000</u>	<u>4/10 - 6/20/10</u>
2.	<u>already funded</u>	<u>now</u>
Other Sources (specify)		
1.		
2.		
3.		
Total Proposed Funding		

Please attach a written letter of intent of matching funds allocation to this project from each of the above funding sources.

**Attachment C:
Financial Budget
for MASBDA**

Phase I: Feasibility Report

Phase II: Business and Market Plan

TOTAL - Both Phases

	MASBDA Request	Internal Cash Match	State Funds	Federal Funds	In-Kind Match	Phase Total	MASBDA Request	Internal Cash Match	State Funds	Federal Funds	In-Kind Match	Phase Total	MASBDA Request	Internal Cash Match	State Funds	Federal Funds	In-Kind Match	Grand Total
Travel	\$ 15,000					\$ 15,000	\$ 10,000					\$ 10,000	\$ 25,000					\$ 25,000
Information Sourcing	\$ -					\$ -	\$ -					\$ -	\$ -					\$ -
US Meat Export Federation	\$ 9,000					\$ 9,000	\$ -					\$ 2,000	\$ 9,000					\$ 11,000
Other organizations	\$ 8,000					\$ 8,000	\$ -					\$ 2,000	\$ 8,000					\$ 10,000
Equipment/Supplies	\$ -					\$ -	\$ -					\$ -	\$ -					\$ -
Consultant Fees	\$ -					\$ -	\$ -					\$ -	\$ -					\$ -
Ricketts (Feasibility)	\$ 15,000	\$ 1,000				\$ 16,000	\$ 13,000	\$ 1,000				\$ 14,000	\$ 28,000	\$ 2,000				\$ 30,000
MERoth (Marketing)	\$ 15,000	\$ 1,000				\$ 16,000	\$ 13,000	\$ 1,000				\$ 14,000	\$ 28,000	\$ 2,000				\$ 30,000
Dubinsky (Marketing)	\$ 15,000	\$ 2,000				\$ 17,000	\$ 13,000	\$ 2,000				\$ 15,000	\$ 28,000	\$ 4,000				\$ 32,000
Anderson (Marketing)	\$ 15,000	\$ 5,000				\$ 20,000	\$ 10,000	\$ 5,000				\$ 15,000	\$ 23,000	\$ 10,000				\$ 33,000
Heimann (Business)	\$ 13,000					\$ 13,000	\$ 10,000					\$ 10,000	\$ 23,000					\$ 23,000
Non-Paid Collaborators																		
Administrative Support	\$ 2,500					\$ 2,500	\$ 1,750					\$ 1,750	\$ 4,250					\$ 4,250
Other Direct Costs																		
Indirect Costs																		
Subtotals (of each column)	\$ 107,500	\$ 10,000				\$ 117,500	\$ 73,750	\$ 10,000				\$ 83,750	\$ 181,250	\$ 20,000			\$ 50,000	\$ 251,250
MASBDA Grant Admin Fee	\$ 10,750					\$ 10,750	\$ 7,375					\$ 7,375	\$ 18,125					\$ 18,125
TOTAL	\$ 118,250	\$ 10,000				\$ 128,250	\$ 81,125	\$ 10,000				\$ 91,125	\$ 199,375	\$ 20,000			\$ 50,000	\$ 269,375

Budget Narrative

Travel:

In both phases of the work, it will be necessary to have face-to-face meetings with government programs, as well as extensive conversations with export and import buyers and customers. These people are located in Colorado, and around the country. Wherever feasible, we will drive, but there will be need for overnight and airfare. The travel expenses requested represent an estimated 60 days of travel at an average rate of \$500 per day.

Much of the information needed to make the feasibility determination is available through sources that are focused on export and import information. The access to this data and databases comes with access fees, memberships, and the like. Specifically, the US Meat Export Federation, as well as the international division of National Beef Cattleman's Association will be among the organizations accessed to obtain the data needed.

Information Sourcing

Printing/WEB/IT Support

In order to facilitate the long-distance work, as described above, the group will use web-based promotional material, and collaboration documents.

Consultant Fees:

Professional marketers will be involved with the current scope of work to investigate and develop feasibility of marketing protein products to China through the China Hub.

MASBDA Grant Award and Project Execution – March 2010 – Current

The grant was awarded for the maximum allowable \$199,375, allowing the original \$50,000 to be leveraged into \$299,375. The work of the grant has involved a team of food processors, marketers, exporters, and cattle producers. The activities are described in the following attachments.

MASBDA FAST Interim Report FINAL -- July 15 2010

MASBDA FAST Interim Report FINAL -- September 15 2010

MASBDA FAST Interim Report December 15 2010

MASBDA FAST Interim Report March 31 2011

Based on the significant increase in overall project budget allowed by the MASBDA award, as well as MWCH commitment to direct \$20K of the \$50K to the required cash match, an amended budget was proposed.

CHINA Hub Budget Request REV 09 2010

National Center for Beef Excellence



Nancy Heimann – Nancy@EnginuityWW.com – 573-682-0042

NCBE

National Center for Beef Excellence

Proposed Budget for MidWest China Hub Commission

	Original China Hub Request	Proposed Revision of Current Budget (3 months)	Proposed Extension (12 months)
CASH MATCH for MASBDA FAST/China Hub Grant		\$ 20,000	\$ 20,000
Travel	\$ 10,000		\$ 50,000
Printing	\$ -		
Printed Promotional	\$ -		
Web-based survey/IT Support	\$ -		
Equipment/Supplies	\$ -		
Organizational Memberships	\$ 7,500		
Consultant Fees	\$ -		
Project Management (\$8,000 per month)		\$ 24,000	\$ 96,000
Marketing and Business	\$ 5,000		\$ 25,000
Food Products	\$ 9,000		
Export Compliance	\$ 9,000		\$ 25,000
Administrative Support	\$ 3,000		\$ 10,000
Other Direct Costs			
Subtotals (of each column)	\$ 43,500	\$ 44,000	\$ 228,000
Indirect Costs	\$ 6,525	\$ 6,025	\$ 33,900
TOTAL	\$ 50,025	\$ 50,025	\$ 259,900

Budget Narrative -- MidWest China Hub Commission Request

2010 Objectives for Remaineder

The request of Midwest China Hub Commission for the remaining months of 2010 is \$50,025. The funds will be used to accomplish:

1. Support MASBDA Feasibility and Market Plan Project Currently Underway. Provide 10% Cash Match.
2. Develop Project Plan (including detail for resources, actions, and timeline) for first shipments of Pork to China.
2. Develop Project Plan (including detail for resources, actions, and timeline) for first shipments of Beef to China
3. Collaborate and facilitate competitive advantage of Missouri and Midwest China Hub for shipments of beef and pork to China.

Expense Category Detail -- Proposed Revision of Current Budget:

The tabulation above shows the anticipated categories of expenditure in support of the backhaul development of protein products to China. Each of these categories is explained in further detail below:

Cash Match

Face-to-face meetings with multiple industry groups, governmental personnel, as well as extensive conversations with export stakeholders will be important to export expansion work for protein. The funds allocated to travel represent 20 days of travel at an average \$500 per day.

Project Management Fees:

The current work being done under MASBDA grant award is focused on confirming the feasible parameters of backhaul to China. The follow-on phase of the MASBDA work will be to develop a marketing plan for maximizing pork and beef shipments through St. Louis. This award does not allow for any work associated with implementation of planning, and restricts actual transaction directed sales and activity. The Project Management fees will allow for China Hub to be in the hub of all beef and pork activities within the NCBE and FAST and to engage in sales related efforts beyond the scope of the MASBDA scope of work

Expense Category Detail -- Proposed Expansion of Current Budget:

Travel

Based on the current situation with beef and pork products, and the preparatory work being done in the Chinese air freight logistics, a trip by Missouri beef and pork stakeholders will be likely in early 2011. This budget is anticipated to support a small core team of NCBE and FAST to travel in conjunction with China Hub for a delegation to generate shipments through St. Louis.

Consultants Fees

Contracted staff working in the area of commercial herd and protein product development will have significant opportunity to "cross-sell", and leverage the integrated mission of NCBE and China Hub. Moreover, the benefits will extend beyond public relations and salesmanship to the actual deliverables needed to accomplish the goals of China Hub.

One example of that synergy is the identifiers of animals to meet age and source validation of protein. The verification of age and farm of origin is a prerequisite to effective genetic development work and is also a key consumer need for the export market.



MASBDA Value-Added Grant Program Interim Report

July 15, 2010

Introduction

The applicants were notified of an award from the Missouri Agricultural and Small Business Development Authority (MASBDA) Commissioners via phone and letter in early March, 2010. The grant requires this interim report to give updates on the progress of the work described in the MASBDA Value-Added grant application dated January 29, 2010.

The following is a summary of work from project initiation through July 15, 2010

FAST & Midwest China Hub Commission Organization

The Midwest China Hub Commission committed to NCBE with a partnership, where NCBE acts on behalf of China Hub to identify, evaluate, promote and generally support and publicize the opportunities for expanded marketplace for Missouri commercial cattle operations and Missouri beef and pork products. The National Center of Beef Excellence (NCBE) a not for profit corporation working under contract with the Midwest China Hub and the Missouri Pork Association to conduct a feasibility study of developing a back haul to China using Chinese Air Lines out of St. Louis Lambert Airport.

The FAST/NCBE efforts are set with an objective to determine feasibility of shipping beef and pork products to China through the envisioned Midwest China Hub in St. Louis. A team of food and agricultural marketing resources were brought together to find develop the background information for determining feasibility. The initial description of this effort has been used in a hand-out, which is attached as Appendix A.

Denver Trip – May 5-7, 2010

A core team of Rex Ricketts, Mary Ellen Roth, Carol Anderson, and Steve Dibensky travelled to Denver and surrounding area in early May to meet face-to-face with leadership and veterans of the beef and pork export community. The following companies/organizations were interviewed:

- IMI Global
- USMEF – US Meat Export Federation
- JBS USA
- USProtein

The meeting notes and conclusions of those visits are attached as Appendix B.

USMEF Annual Meeting – May 26-17, 2010

The annual meeting of the US Meat Export Federation was held in St. Louis this year. This meeting brings together the entire meat exporting industry, with an emphasis toward bringing buyers together with exporters. As such, there were a number of Asian buyers and sellers that were interviewed. The meeting was attended by team members of this grant. The meeting notes and conclusions of these visits are attached as Appendix C.

St. Louis International Airport -- Lambert Field Visits

The tactical feasibilities of cold storage and warehouse facilities in Lambert Field are important to the ability to offer a competitive port for export of fresh meat. In pursuit of full understanding of the current and planned infrastructure at Lambert airport, Mary Ellen Roth and Rex Ricketts met with Rhonda Hamm-Niebruegge Director of the Lambert- St. Louis International Airport and Mary Ellen Roth visited, toured and interviewed multiple stakeholders at Lambert. The meeting notes from these visits are attached in Appendix D.

Industry FeedBack

Key stakeholders within the industry have been willing and enthusiastic to provide feedback and information regarding the feasibility of this project. Joel Haggard, International Affairs for USMEF replied to a list of questions on email with detailed insight to the industry this process

was outlined in a face to face meeting in St. Louis with Joel. These question and answers are attached as Appendix E.

Policy Update

The political framework for exporting beef or pork from the US, regardless of whether from St. Louis or any other port, is a critical component to the feasibility of this project. The movement toward opening up the Chinese border for American beef appears to be making progress. Positive action for beef exports from Canada to China are perceived as good indicators that the markets will soon be opening to US Beef.

Budget and Schedule Update

The budget and schedule are not proposed for modification. A final report is scheduled for September.

Appendix A – NCBE/FAST/China Hub Leave-Behind



What is the NCBE?

The National Center for Beef Excellence (NCBE) is a non-profit organization created to increase value for commercial beef producers through genetic data collection, tracking, evaluation, research, and export market expansion for U.S. beef products.

When was NCBE founded?

NCBE was founded in 2008 by beef industry stakeholders and is governed by a board of directors. The NCBE board members and stakeholders represent most facets of the beef industry.

What are the goals of NCBE?

1. **To establish a beef genetics center.** The center will provide beef cattle breeders with single-breed genetic evaluation and a coordinated multi-breed genetic evaluation platform. The opportunity to incorporate scientifically based multi-breed analysis, genetic evaluations, and DNA information to produce expected progeny differences (EPDs), will add value for seedstock and commercial beef producers. It also will benefit consumers.
2. **To provide a central location for beef breed organization business operations.** Co-location of beef breed groups will foster intellectual synergy, encourage industry collaboration, and realize cost savings.
3. **To create greater value for beef through the expansion of global markets for U.S. beef products.**

How will NCBE be involved in export expansion for beef products?

NCBE has an exclusive agreement to represent the Midwest China Hub Commission in evaluating and developing airfreight backhaul shipments of beef and pork products to China. NCBE will work closely with beef industry and international trade organizations including U.S. Meat Export Federation (USMEF), National Cattlemen's Beef Association (NCBA), U.S. Department of Agriculture (USDA), American Meat Institute (AMI) and others, as it develops a best practices approach for supplying U.S. beef and pork products for export to China.

What is the Midwest China Hub Commission?

The Midwest China Hub Commission's mandate is to establish a new backhaul airfreight trade route for Midwestern products between St. Louis, Mo., and China. The Commission is a joint effort between government and business organizations located in St. Louis, Mo. Organizations included are: Civic Progress, County of St. Louis, Lambert-St. Louis International Airport, Missouri Chamber of Commerce and Industry, Missouri Partnership, Regional Chamber and Growth Association (RCGA), St. Charles County, St. Charles IDA, Partners for Progress, St. Louis County Economic Council, State of Missouri- Department of Economic Development, Missouri Department of Transportation (MODOT), and World Trade Center St. Louis.

What role will NCBE play in marketing U.S. beef and pork through the Midwest China Hub?

NCBE represents the Midwest China Hub Commission in determining market requirements to sell beef and pork to China through the St. Louis hub. NCBE is conducting a feasibility study and business plan for the China market expansion. The study will include identifying market requirements for best practices for beef and pork processing, animal background protocols, animal identification, product and cut specifications, product processing and packaging, and an analysis of the wholesale and retail market in China. In addition, NCBE will coordinate and integrate best practices and research findings with the newly formed food safety commission in China.

For more information, please call NCBE at:

1-800-561-5830 ext. 501

or visit our website at:

www.TheNCBE.org

Appendix B – Denver Trip Notes

Consolidated Notes Denver Trip May 5-7, 2010

May 5, 2010 3:00-4:00

IMI Global, Inc. Leann Saunders and John Saunders
221 Wilcox Street
Suite A
Castle Rock, CO 80104
303 895 3002
lsaunders@imiglobal.com

USDA-approved company for verification and annual renewal

Japan is the country that requires most stringent third-party verification protocol

Packers have been the first adapters, also working with Cattle Fax tracking

Cow-Calf largest percentage growth for the future

Most major packers are on board, for source and age verification

Everyone who is doing it, just for EU or Japan

Some are reading EID (same as RFID) tags on kill floor, like Creekstone

Certification papers incoming with cattle

“Where Food Comes From” is their (IMI Global, Inc) brand, they have done research on the logo, gained positive input, working with international contacts now to see how it “plays” overseas

They do internal audits for Pork

They do all the tags for the MO Dept of Ag

Packers we might talk with:

- National Beef (experience in Japan & Korea)
- Tyson (value-added buyer, specialty program, strongest in Europe)
- JBS (big player – know how to handle the export business)
- Creekstone (mid-size)
- P M Beef (interested in exporting)
- Greater Omaha
- O'Neill Packing (Verify who this is)
- Beltex – Frontier Meats (Verify who this is)
- Harris Ranch

Leann suggested contacting Bill Wessman, who left FSIS, and I believe is now with AMI.

IMI has the capacity of conducting both 3rd party verification and on-farm verification

Packers dedicate days or shifts to certified kills

Freight forwarders play a factor in shipping charges, etc.

Reefer set at 0 degrees to 10 degrees

Chilled set at 25 degrees

Japanese trading companies will not burn you.

Question – will planes out of St. Louis be non-stop to China?

May 6, 2010 9:30-1:30

USMEF

1855 Blake Street

Suite 200

Denver, CO 80202

303 623 MEAT (6328)

Paul Clayton, SVP, Export Services

Erin Daley, Economist

Greg Hanes, Asst. VP, International Program

John Hanners, Asst. VP, Industry Relations

First initial last name@usmef.org

13 foreign offices, funded 50 govt/50 industry

USMEF competes with regional trade associations, such as Food Export Association of the Midwest USA for trade dollars

Brazil, Australia and New Zealand are suppliers of grass-fed

US is biggest supplier of grain-fed and grain-finished beef in the world

Asia is 4th largest importing region – a huge beef demand center

Paul handles more technical issues, Erin is an economist, Greg is in marketing for International and John will be our main contact, and he is in industry relations.

Largest market in China currently is Food Service industry

Their objective is to promote US products overseas. Funded 50% by USDA and 50% by Beef Check Off, have a 30 million dollar budget

Beef markets to China still closed; pork is getting closer, hope by week's end (5/7/2010) – governments are working through certification requirements

Most US Beef going to China through grey market [Vietnam and Hong Kong].

Chinese market is the most price sensitive

They do not believe the Chinese will build up production on beef like it has for pork, which is heavily subsidized

They import 60% of the world's soybeans
They look for variety and muscle cuts for pork
Morton's is the biggest supplier of "fresh" meats, 2-3 pallets per week. Originates from Chicago. Morton's is planning restaurant in Shanghai.
Freight Ships are 1/3-cost of airfreight
Freight consolidators put together shipments for efficiency
China market is basically low value high margin
Pork shelf life is 45 days, beef up to 60 days

Peter Freeman Ag Transportation Coalition (has relationship w/ USMEF)

US lags behind in traceability – Good chance traceability will be required on animals all the way back to birth – what is the cost to the US of NOT having complete traceability???

What is the feasibility for cold chain distribution? -- We need to look at cold storage capacity near Lambert Airport

John Zarella (Preferred Freezer) is someone we should talk to about refrigeration. (and Hussmann Corporation-- [Hussmann is based in St. Louis (in Bridgeton, Mo., specifically) very close to the Lambert Field. They were at one time owned by Pet, Inc, Mary Ellen's former employer and now are owned by Ingersoll Rand. They have manufacturing plant in China. .MER to check on whether they have knowledge of cold storage at airport, etc.)

Hormel does have a production plant in China, mostly chicken sausage
McDonalds does not use US Beef in China. OSI (McDonald's major meat supplier) has a plant in China, too.
Costco moving into Asia but not in China, yet.

Split pallets usually carry 10,000 lbs

German Metro stores is model for national distribution system in China

There are more regional chains; they have large meat counters, some with walk in coolers, hanging carcasses, almost all food service

Chinese consumers are very "status driven"

Food service should be our first effort, look at Department stores, "high grade", use the "Korean model".

Product Food Service Western Steak Houses are the model one restaurant has four floors each serving 1,000 customers. It is in a high rise like a Department store.

Korean model is a fit for China

Trade Negotiations -- China has said there are 22 conditions that must be met before US Beef is approved, full traceability is one of them, and is getting industry resistance.

Pork negotiations are at the departmental level. Beef is at Vilsak's level. Bush administration was "all or nothing" meaning that in order for a trade agreement moving forward, China must agree to accept 30-month-old animals. Obama more flexible.

We don't follow Codex standards, we follow USDA

China Supreme Court has decreed No Antibiotics – will be next international issue – CODEX Standards are more stringent than FDA.

China is getting into more branding, wealthy Chinese want to know the “story” of a company; the rest of China is focused on price

Waygu is the most well know brand, Australian Waygu is the biggest competition to US

Our advantage is Consistency of quality vs Brazil and Australia

Recognizable brand, Angus, CAB (Certified Angus Beef), equals high quality and good price

Chuck short ribs/Short Plate/Short ribs are cuts they want

They like streaky fat, like bacon, high marbling

100 grams (3.5 oz.) average size of meat in a meal

Joel Haggard will know the cold chain infrastructure

Snow Dragon is their Waygu plant

Steak city is the 4000 seat restaurant

Refrigerated Warehousemen is the organization for refrigerated business

35° is the shipping temp for beef to claim it is refrigerated

Payment is 100% up front, FOB US, China is considered high risk

FOB Definition

Under the Incoterm standard published by the International Chamber of Commerce, FOB stands for "Free On Board", and is always used in conjunction with a port of loading.^[1] Indicating "FOB port" means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays cost of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination. The passing of risks occurs when the goods pass the ship's rail at the port of shipment.

Maersk Line is the shipping company that has a ship the size of an airline that goes from Hong Kong to LA and back

BY 2012, in EU, will be able to ship 45000 lbs zero duty of non-hormone product

GS 108 is the funding thru the government for exporters

In food shows, ANUGA is the best.

Two sizes of containers – 20,000 lbs.; 40,000 lbs.

Europe airfreight – 20,000 lbs with Europe with zero duty will increase to 45,000 lbs by 2012

US has the advantage of being able to supply meat year-round where Brazil and others are seasonal because they produce grass-fed beef.

China wants good quality cheap price. Want short ribs, short plates, grain fed, year round.

Short plate goes into hot pot menus. Short ribs can be sold as steaks. Asians like streaky fat (which is prevalent on short plate). Hi marbled appearance.

Chinese typically eat 100g/serving (3-4 oz.)

Other USMEF activities:

Loan Guarantee Programs – GS100

Branded programs for companies with less than 500 employees

10-12 Trade Shows per year (worldwide)

Sysco is a member of USMEF

Traders work with distributors. Mark Spengler represents Sysco.

May 6, 2010 3:00-4:00

JBS USA LLC

1770 Promontory Circle

Greeley CO 80634

Mark Gustafson

Mark.gustafson@jbssa.com

970 506 7637

Hai Phong, Viet Nam is the “unofficial” sanctioned port for shipping meat to China

China uses non-tariff barriers to control the flow of business

He felt that there is no political pressure to open the market for US Beef, they are getting all they want of high quality, grain-fed US beef.

Random enforcement, they have zero tolerance on pathogens, but if they don't want the product they will find something wrong with it.

There are air shipments to China, and Asia, chilled 20,000 pound lots by air

They use dry ice to keep cold, directly on offal and organ meats.

You have to find an importer who will control the access

Everyone recognizes the potential in China but there is still an “arms length” approach

How we build the infrastructure is key

They look for low end, chopped short ribs and high-end tenderloin; there is no middle ground right now.

He said there is good recognition of Grand Island Nebraska beef, highly marbled

They do understand and perceive US beef is high quality

We need a strong Chinese partner

Look at Carrefour and AON grocery chains who have made inroads in China

May 7, 2010 8:00-9:30

Greg Bloom

U S Protein

9249 S. Broadway

Suite 200-115

Highlands Ranch, CO 80129

303 470 8883

greg@usprotein.com

Need to find a good freight forwarder, they will take care of the customer's paper work, get information from our World Trade Center, they are connected with Midwest China Hub

He ships chilled, mostly poultry, at 25°

He ships out of Long Beach CA

CIF (cost, insurance, and freight) product arrives in port in China, then money gets released

Chinese not so interested in brand, more price buyers

Bring Chinese buyers to plants, they like on site visits.

Joel Haggard will be able to find us a Japanese trading company; they will take possession of goods, then sell from there

Chinese like more fat, more skin, they have specific cuts that they want

There are several portion control plants in both Denver and Kansas City for refrigerated

Appendix C – USMEF Annual Meeting Notes

Notes, USMEF meeting 5/26 and 5/27, 2010, St. Louis MO

John Hinnners
“101” meeting

USMEF founded in 1976 as a non-profit, gets 50% funding from US govt, get other 50% from private industry and commodity groups, beef check-off, etc. They have 60 international staff.

Their goal, PUT U.S. MEAT ON THE WORLD'S TABLE to compete with Brazil, Australia

Paul Clayton,
VP Export Services, USMEF

International export services, they assist in clearing product held at foreign ports, which is a small amount, 1-2 per month. Most errors occur in documentation – not with products – documentation is still done by hand. USMEF is planning to have online certification available in 2012.

Requirements to be knowledgeable about relative to export include:

Product eligibility (and ineligibility)

Documents

Labeling

Facilities

Ultimately, you want an export certificate, which allows you to clear customs.

There will be a new resource page on the website under resources. International Markets on website is good place for market specific information.

USMEF doesn't get involved in transactions, but makes connections.

All shipments require export certificates; there are vets who check out all cold storage containers. Ag TC, Agriculture Transportation Council – USMEF is a member. There is a shortage of refrigerated containers right now, refrigerated ones do not rotate as well as dry.

USMEF maintains supplier list (includes approx. 90% of exporters). There are about 100 US suppliers listed on the website now who ship internationally.

There is a meat buyers guide and an international meat manual online with all the cuts. They also just completed a shelf life study that will be available online when published.

Jim Herlihy is VP, Information Services – Statistics are the most popular destination within the USMEF Web site. New website, should be up by now, the meat manual is the most popular destination. New website is more user-friendly and most information is organized by country.

Joel Haggard
SR VP Asia Pacific

Directors are "feet on the ground" with local people who understand the mentality of our customers. They provide **market intelligence and trade help, technical assistance and marketing and promotion help**. Need to start with the importer to see needs, but do go to the consumer. All markets are different, all marketing is local. His team is very accessible -- they set up meetings with their trade teams, individual exporters, and will handle the whole itinerary. Email any questions to them and they will respond.

Jim Peterson
USMEF, Chairman of Board (Montana cattle rancher)

Need 100% increase in food production by 2050. 6.1 billion pounds of beef, pork and lamb were exported in 2009. USMEF has the right staff with the experience necessary. Exports support our price structure. \$1 billion in exports supports 8,000-9,000 US jobs. Need to communicate, collaborate, and coordinate. Support MAP funding, 300% increase since 1985.

Every \$1 in govt spending = \$4 in farm income -- need to support industry partners; compete against the anti-meat faction; timing is critical to compete and gain market share.

US is known for Quality, Grain-Fed, Consistency.

Jerry Steiner
Monsanto

Focus on high-density population areas. In China and India, water needs are critical. Need "more crop per drop".

They spend \$1 billion per year in research, looking at crops that are much more dependent on water in the soil, doubling yield using 1/3 less resources. Need to be sustainable, economically viable, and meet agriculture needs.

More people are moving to urban areas, will require more food. For the first time in history, there are more urban dwellers (51%) than rural. In 2050, we expect 70% urban/30% rural.

Corn & soybeans use 1/3 fewer resources than they did 20 years ago.

Research indicates that farmers, not corporations, are very credible spokespeople.

John Brewer
Admin of USDA-Foreign Agricultural Services (FAS)

95% of world consumers are outside the US

US Export Forecast:

2010 Beef +10%

2011 Beef +2%

2010 Pork +6%

2011 Pork +4%

National Export Initiative (NEI), 1) more robust effort to affect trade/export (especially small business), 2) improve credit access, 3) continue to work to remove trade barriers.

\$53.5 million for USDA in 2011 to continue enforcement trade agreements. Expanding beef exports is key to this administration's objectives. Opening markets to Japan, China, Hong Kong, Taiwan.

Pork to China, can find H1N1 certificate on FAS website.

**Phil Seng,
President & CEO
USMEF**

When you go to foreign market, you must understand the culture. USMEF covers 95% of global markets and 16 offices, highly skilled employees.

21 different countries competing with the US in pork. Last year they increased market share in all mkts except Hong Kong/China & Russia.

24 different countries compete with the US in beef
U.S. supplies 70% of chilled pork to Japan.

Product differentiation very important. Keys to foreign marketing: be adaptable, creative, flexible, customer focused, integrated programs and people, and aware of needs.

Analyze each sector: Trade, Hotel Restaurant Industrial (HRI), retail consumer, size potential, key target, set goals strategy evaluation, "street marketing" not big bucks.

Producers/Packers/Exporters/Importers/Distributors, have a strategy to appeal to each segment, the whole range of components that work together.

Japonesque -- won top marketing award for selling US Pork
Also produced the "To Trust" campaign in Korea, which is helping, redefine image there.

**General session II, Steve Isaf
Interra International**

Issues in certain countries -- Food Safety, Animal Welfare, Traceability, Legislation, in Mexico, diabetes and obesity more concerns about these than food safety; good perception of US beef.

John Brooks, in EU, traceability is core, BSE problems, consumers do trust US Beef, food safety issues can be trade barriers. McDonald's has done a great job of being attentive to cultural differences -- tailoring their messages to be audience appropriate.

Joel Haggard – There is a consumer food awareness spectrum across Asia – as countries become more developed/sophisticated, they move to the right on the continuum. Continuum is as follows:

CONSUMER FOOD AWARENESS SPECTRUM

Subsistence	Minimal	Basic Reg.	Consumer Food	Farm 2 Fork	Animal	
	Sustainability					
	Food Trade/ Marketing	Structure	Safety Awareness	Linkage	Welfare	
	Cambodia	Vietnam Indonesia	China, Malaysia,	Hong Kong Singapore Taiwan	Korea	Japan

Animal welfare issue, and sustainability issues, in his area

Challenge to find spokespersons to defend our food safety. In China, just a few decades away from food shortages (50's and 60's). China just developing food safety consumer awareness. Competitors use images of U.S. "factory farms" to taint perceptions of U.S meat products. In Japan, pictures of farmers to show origins of meat. In Hong Kong, be able to show traceability to feedlot, Korea, documentation paperwork, need to feel at ease for traceability to the farm.

In Korea, the "To Trust" campaign (referenced earlier) provided soft message that emphasized safety. If you are so far down like beef. Need a soft message. In China – very aggressive about talking about food safety.

There is a dichotomy of "green" in china. They are the largest greenhouse gas emitter in the world.

John Brooks in EU, no more sow stalls allowed, no more caged laying hens, max time for transport is 8 hours, conditions at slaughterhouse to apply to imports, Morrison's, 4th largest retailer, only uses 100% British free range eggs, TAWC, transatlantic animal welfare council.

Joel, in Asia, consumer awareness of animal welfare is very low, just starting to put together issues like "humane slaughter". Labeling and marketing claims not a sales issue now. Famine in China in 59 and 60, trying to become greener, but polluters still exist, livestock waste is huge, Mexico need to reasonable priced products trumps this issue, in the EU one hog farm, is located on the bottom, there are fruit trees on the top, the entire operation is sustainable.

Meeting with Joel Haggard

Currently - no chilled beef, all frozen, chilled pork is doable, needs to be to high-end special customers, hotels, and priced sensitive in processed cuts. Crucial to have an importer, he recommended one who was at the meeting, Dan Breiner. Maybe Metro, one of the grocery store chains. Companies in Shanghai -- City Shoppers.

There are some who are shipping chilled Australian beef by air. Hong Kong does a lot of airfreight. Need to do a U.S. branded product with a high value proposition, such as "Jet fresh from the heartland." Beef a much better opportunity than pork because pork is price sensitive. Jay Theiler is flying Kurobuta pork, (or black pig) to Hong Kong.

New Member Orientation Breakfast

Chefs are key purchasers of meat for their hotels. USMEF promotions focus on chefs, can provide names and contact info, trends etc. Talk to market directors, lots of education, to gain more business and exposure for pork. Know the border people to help ease shipments,

Bill Westman

VP, International Trade

AMI

Started with them in March, spent a couple of years in China as USDA Agricultural Minister-Counselor. AMI's goal is to eliminate barriers to meat products, AMI has a bi-weekly newsletter, Westman is concerned about lack of progress in Korea, etc. CATO Institute article, Manufacturing Discord: Growing Tensions Threaten the U.S.-China Economic Relationship," by Daniel J. Ikenson, Trade Briefing Paper no. 29, May 4, 2010, provides really good info on US-China situation.

International meat trade group sessions seem to be a lot of confusion on dates. Production, packing, shipping, certificate, as a group, first choice is to use production date.

Port of entry requirements, protocol list for standardization, Under-Secretary for Agriculture in China now, discussed last week what was to be discussed, still trying to develop a framework of expectations, goals and outcomes, moving in steps is acceptable. There are 22 requirements in 2010 -- many are onerous, certification requirements, try to find something workable by this fall. Need a strategy to move forward, tell FSIS to resolve cooked poultry (from Chinese chickens issues with China. Meetings this week will not render any decisions -- purpose is basically to set agenda for fall meeting.

China and US should base the new import protocol on the OIE SRM definition.

It's hard to talk about problems and opportunities because we are not directly exporting to China. Directives from committee regarding China: would like to see USMEF staff in DC make sure we have a strong role in developing the fall agenda. The government knows about volumes moving to Vietnam and Hong Kong. They all know what kind of exposure that creates -- a pending disaster.

Exporter committee to form a sub committee to outline concerns, better to have packers and producers talk to govt to put more pressure on, rather than from NGOs.

Ractopamine, (a muscle growth hormone, improves feed efficiency, creates more red muscle). RH residues are an issue. Import licenses should be issued for pork in China, format of certificate was problem, May 1, but they requested production date of March 24, trying to get agreement to go back to that. It has been agreed to.

CODEX meeting is in July, their standards are more stringent than U.S. standards.

No clear process for getting new facilities eligible, but contact USMEF for help. Have to plan for next wave of demand, right now an oversupply of pork, but any increase on 1.3 billion people makes a huge market.

Need to change protocol and streamline to help producers and give more info to govt agencies

Public sentiment has changed in Japan, where they can find value, they are willing to look.

Beef in China, Vice Minister seemed to be more favorable to US beef, but he got sick and now there is someone new, seems to be new road blocks by Chinese all the time, but they might want the tariffs. China beef is highest priority from committee who was in China last week. EU has concerns about clones and progeny of clones.

Since containers are in short supply, they want to work with the ag transportation coalition to discuss how to get containers moving.

HRI breakout

Focused on ASEAN, which represents 10 countries – top 3 are Singapore, Philippines, Indonesia. Some good ideas on promotions, working with chefs, and what's happening in those countries, economically and trends in food service.

Singapore: Integrated resorts

Philippines: Food culture

Indonesia: State of economy

Indonesia: Black Angus 100% Air Flown U.S. Beef Promotion

Beef and Allied Industries Committee

Joel, Integrated Marketing Campaign, they have few dollars so they focus on getting the most bang for their bucks. In order to do so, must focus on image, customer, brand image, key message that is impactful, different for different markets, Market access is great, but must market the product.

They have had great success in using bloggers to reach consumers and use them as local allies and spokespersons.

Erin Daley, USMEF Economist

US is up 22% YTD in beef exports, US beef still costs 20% more than other currencies, beef consumption increases with GDP.

China – in March – good conversation with Vice Chancellor. Pork approved and indicated a willingness to negotiate on beef. “U.S. Beef seems to be very popular” (referencing grey market).

Bill Westman, AMI

Look at things like pork casings for shipping to China while waiting for the approved trade agreement for beef. Chinese are accepting those items now. There is a Forbes article about refrigerators being made in S Carolina and being shipped to China, look at hides and skins, go to Dept of Commerce, they will tell you what is leave what port to see if anything could be shipped out of St. Louis.

There is a growth opportunity in the interior not just along the coastal cities. 80% of China's population lives outside the coastal area cities – huge potential. Quite undeveloped, but something to consider.

Appendix D -- Lambert Field Visits

Meeting with Brian Kinsey, Assistant Director Marketing and Business Development for Lambert, and Bill Korte, Assistant Director Operations & Management, tour of Lambert airport and facilities, Wednesday June 23, 2010.

Lambert has 3400 acres within the fenced area, there is a road that runs the perimeter of the property, so if a cargo facility was built on the north side of the property the road is almost completely paved and could be used for moving goods from one location to another.

There are several empty properties that are on the south side of the SW terminal, Terminal 2, with dock doors, and some with flow through dock doors. There is a ramp, called the "Juliet" pad off the east terminal that can handle the loaders that are used for 747's.

The old mail sorting shed is open on 2 ends, and right now it is used to store equipment. There are 92 pieces of snow removal equipment, since snow cannot be pushed off runways, it must be removed.

We have 4 runways, that can handle any amount of traffic any time of day, thus cargo planes could land at any time. Signature is the name of the smaller hangar that houses corporate and personal use jets. Fex Ex and UPS both have operations and run about 13 operations per night, from 10:00PM to 7:00 AM. These facilities are leased to UPS Fed Ex by a 3rd party developer from KC.

The old Rockwell building, where parts for the Gemini space capsule were built is leased by the airport and the union was getting ready for a strike.

The Old McDonnell Douglas building, 1 million square feet facility, is the place where a cargo facility is planned to be built in the future. Aero Term, a company from Montreal develops "on airport facilities" and leases them back. There is an old rail spur that could be reinstated next to the facility, BN has the tracks.

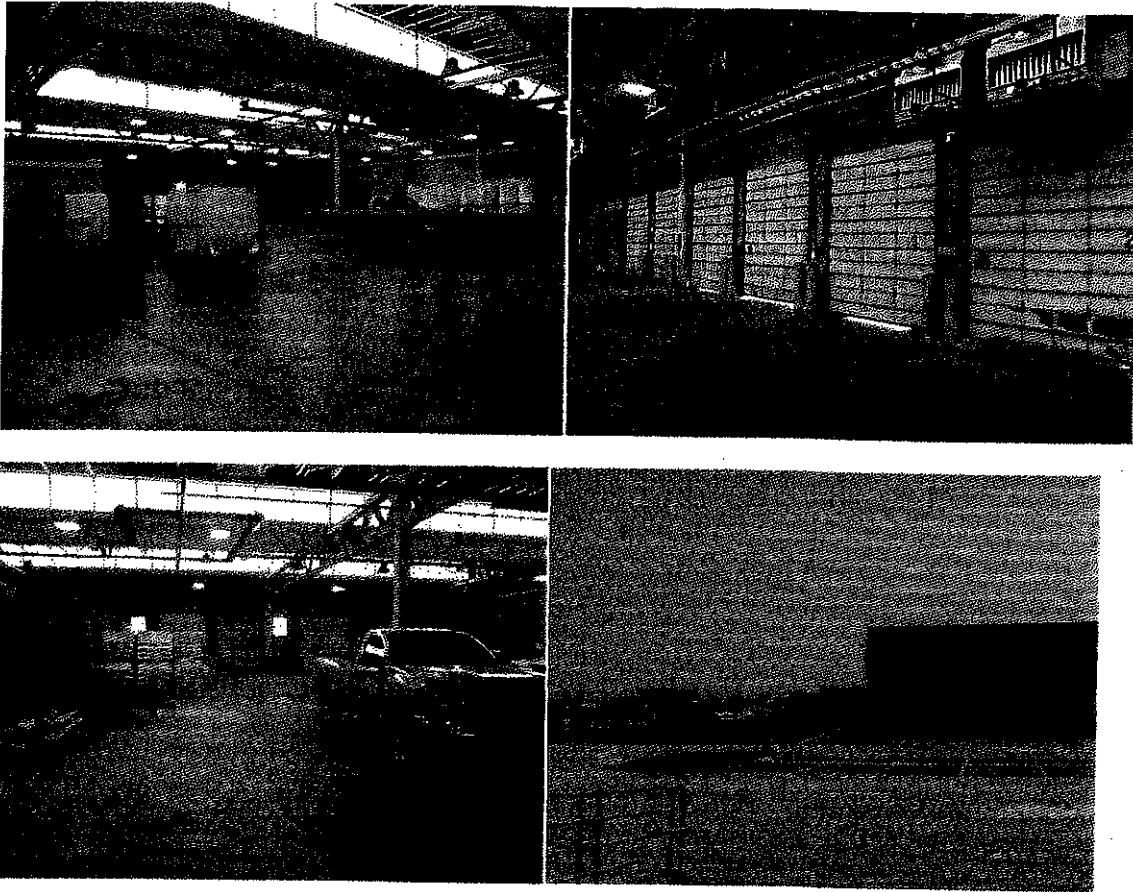
I also saw the interior of the Old Police Building, former home to the canine corps, who have moved into the main terminal. It's 19000 sq feet and could be modified. It's east of Terminal 2, has flow through dock doors, and is located where product could be loaded from the secure side, through the facility to the non secure side. It's also close to the Juliet pad.

American does bring in small cargo refrigerated (?) or frozen (?) containers in their passenger planes. Morey's seafood was picking up something while I was there. I will ask them to find out more about that shipping.

Brian also said he belongs to a cargo organization and he will send an e-mail to ask if others are shipping beef or meat products and ask for details. And he mentioned that 3 of the 4 airlines that are doing the feasibility study for China Hub are consolidating their cargo businesses.

I have several overview maps of the airport and the facilities, as well as a detailed sheet with the Runway Information report.

Pictures that follow are of the Canine Corps building.



Meeting with Gary Rager, American Airlines Customer Service Manager, American Airlines Cargo

Gary runs the small cargo operation at Lambert St. Louis airport, where I saw the Morey's seafood truck pulling out last week. They do several shipments a week from either Boston, Florida or Seattle with seafood for Bob's seafood and Morey's. Bob's has a retail operation as well as selling to restaurants and grocery stores, Morey's does mostly food service.

They are bringing in fresh refrigerated product, in waxed boxes with gel packs on top. Using gel packs is easier than ice, so they avoid the melting problem. Most of these flights are just a few hours and the trucks arrive when the flight lands to pick up as soon as possible.

Although it does get cold in the cargo hold area of the planes, and there is a fan to circulate the air, a consistent temperature is required for product shipments. There are **envirotainers**, containers that can be used with dry ice pellets that hold a temperature range for up to 72 hours. Details and size information can be found at www.Envirotainer.com.

They currently do ship envirotainers from Chicago, there is a check list that goes along with it and all notes on temperature variations are listed. Most of these envirotainers are used to ship pharmaceuticals.

There are different options for narrow body and wide body planes, there are no wide body aircraft at Lambert currently. Narrow body planes can have 300 pound limits on containers, wide body have 3200 pound containers on board.

Dry ice limits are 440 pounds on a narrow body, like a MD80, and up to 1300 pounds for a 767-200. No live animals are allowed in the same area as dry ice shipments.

When shipments come in, they record temperature and condition of containers. If they need to be re-iced they will do so. They also have a small 30' X 14' cooler, which they use at their discretion. They don't include it in their pricing, but if they think something will be sitting for a while they will put it in the cooler. That is the only refrigerated holding area available

American airlines has no freighters or cargo planes at Lambert. They send a truck daily to Chicago and Dallas. If they worked with the Chinese airlines to transfer anything they would have to have an interline agreement to ship. They also have flight 289, a 777, which leaves Chicago everyday at 10:40PM and arrives in Shanghai at 2:05PM the next day.

Animals do get priority over cargo, so if we had a shipment and someone had a dog, our shipment would wait until the next available flight. Sometimes they can put the pets in the rear of the plane, if we would ship a container of product, not just a box.

We could also build out our own containers on pallets. They have a flat metal aluminum "cookie sheet" that a pallet can be placed on, pallet on top of that, everything is shrink-wrapped, and then there is a net that goes over it with plastic levers that secure it so it does not move. It can be up to 64" tall, and 9,000-10,000 pounds.

All American freight is booked thorough Cargo reservations, they look for the 1st available flight.

Shipping cost is determined by weight, destination, level of service and commodity. Levels of service include:

1. General, which is pretty much at their discretion as to when to ship
2. EPX- higher priority, guaranteed, goes on first
3. PCX – runs every day of the week, airline will block space, but if you do not use you pay.

I asked Gary for an example of what they would charge for shipping. He researched and said that a 300# refrigerated shipment, here to Shanghai would be \$1225.00, including fuel and security screening and taxes.

Gary said they have a daily conference call on cargo and he would ask to see if anyone was doing refrigerated meat products and get back to me. Most cargo out of St. Louis is freight and mail, using priority parcel service up to 100#.

June 22, 2010

Met with Ken Walsh, International Trade Specialist, U S Commercial Service, he is headquartered in St. Louis office. They also have an office in KC.

Their basic premise is to help US companies export products overseas. They can help with documentation, early stages, like business plans and policy.

He recommended talking to Food Export Assoc of Midwest, Bill Wayne, who has co-funding available for marketing funds if it includes branding programs. He also mentioned Mark Hitt, for MO Dept of Ag, who I met with at the Midwest China Hub Commission's last meeting. He is going to check with other companies that they work with who are currently selling to China to see if there is anything we can learn from them. He was not aware of USMEF, has not done a lot of work in food or agriculture, but was very informed about the Midwest China Hub commission.

He said the trip to China was very reasonable, I checked the RCGA website and the trip in Sept is sold out, but supposedly they are opening more spaces. It's 1999.00 per person double occupancy, spouses and friends are welcome, which is probably why it's sold out. It does not include airfare to LA, and a few other expenses. Mark said that checking with Bill Wayne might provide funds to offset costs, by about half.

He will get back to me with a few contacts that are shipping to China now, just think it's a good idea that someone does know what we are doing.

Appendix E – Feedback from Industry Stakeholders

Excerpts from email from Joel Haggard, International Director for US Meat Export Federation

I have tried to offer brief answers to most of your questions (attached), but the scope of your inquiries probably require a full research report. My advice, as I gave to you in St. Louis, would be to visit the market by yourselves instead of trying to gather this information through a contractor or second-hand (written or web) sources. I guess my main message is, there are many different retail and foodservice formats, and many different types of markets in China. Thus, there are many different market niches that can be explored as they relate to the potential for US high end beef and pork exports. If your main thrust is to offer a convenient air route to China, then the products involved are likely going to be high cost items, such as premium chilled US beef or niche pork items. BTW, since China lifted its pork ban, three small volume shipments of high end US pork have entered China for our marketing programs, including one Kurobuta (Berkshire) brand, one antibiotic free "natural" brand, and another natural pork brand from Idaho. We will be featuring these at our All China Chef Club get-together that begins tomorrow in Sanya on Hainan island. Progress of sorts!

Regarding RT Mart, yes...they are a major chain, having built up a very successful hypermarket model in Taiwan. They are trying to list in HK; please see the accompanying story which provides a good update of their business plans in China:

<http://www.businessweek.com/news/2010-06-08/rt-mart-china-said-to-look-up-to-800-million-in-hong-kong-ipo.html>

RT Mart does not have an English website, but its Chinese site can be found at:

<http://www.rt-mart.com.tw/>

Regarding Yakiniku (table top Japanese-style Korean BBQ) restaurants, China does have these type of outlets. Most are very cheap concepts, and most are located in Northeast China where there is a sizeable Korean population. But their popularity is spreading to other parts of China. Main items for Yakiniku include rib and chuck slicing items.

Grocery Store segment

What is the demographic makeup of customers for grocery stores? Is it dependent on province or area, i.e. do they sell more in cities, larger cities vs. smaller, to certain population segments, older, younger, ethnic backgrounds, etc.?

As everywhere, there are a range of retail formats in China ranging from convenience stores, to supermarkets (generally smaller in area than our Krogers and Safeways) to big box retailers like Walmart and Carrefour. The clientele is varied, from those with lower incomes to high income shoppers. Retailers like RT Mart will have a range of customers in terms of income levels and age groups.

Do they sell according to market demographics, i.e. different products for different areas? Are there demographic trends, i.e., older population prefer certain cuts, younger population prefer certain cuts and or recipes?

Fresh pork is the main red meat. Most supermarkets like RT Mart will have a meat and seafood department selling a range of meat items from fresh pork, beef and chicken, to frozen meat (e.g. frozen chicken or sliced lamb and beef), processed meat items (mainly sausages and Chinese processed meats), and seafood.

What kinds of meat products sell best in their stores? Are there traditional recipes in each region that call for specific cuts of meat? What are those recipes, which cuts are used?

I don't have exact data, but a visit to a couple of stores will confirm that the largest seller would be fresh pork. A range of cuts would be sold, both at fresh counters, where butchers are cutting up primal or even half carcasses, and on the pre-packaged shelves, like in US supermarkets. Almost all cuts are merchandised. Pre-packaged cuts are labeled by the cut name rather than the menu (like in Japan). Beef is generally sold only in pre-packaged form, both fresh and frozen.

Are high end meat products sold in grocery stores, such as Kurobuta pork or filets or tenderloins of beef, Black Angus beef? Do they sell processed meats, such as cured hams or bacons? What about offal, variety meats, etc?

A few stores carry premium meat items, but these would be restricted to outlets in top tier cities. Items may include organic or natural pork, or domestic Angus beef, or Australian chilled beef, which at retail is considered a premium item. Cuts of premium items would include the loin and ribs for beef, but a wider range of cuts for pork, like in the case of the organic or natural pork. Yes, all stores carry very large processed meat sections. Items are divided into chilled western items (e.g. packaged sausage and bacon), and temperate mostly Chinese style processed meats (Chinese dry sausage and dried meats, salty cured hams, pork floss).

I understand that high fat meat products, "streaky fat", are used in rice bowl preparations for restaurants, is this traditional for home cooking also?

Yes, throughout Asia one finds relatively fatty beef and pork products being used as table meat. In China, a common pork belly dish is stewed pork belly, but raw bellies are also thinly sliced for table-top bbq. On the beef side, short plate – mostly from the USA – is used in the common beef bowl dish. Short plate is thinly sliced, marinated and seasoned, quickly grill-cooked and placed hot on a bed of rice. Thinly sliced beef (short plate, boneless chuck short ribs, or boneless short ribs...sometimes ribeye) is used in hot pot and shabu shabu. This dish is consumed throughout North Asia, mainly during the winter months.

Does product come case ready, or do stores have butchers who break up larger cuts? How are they sold (packaging) tray/wrap, behind meat counter, bulk self serve? Does meat come fresh or frozen? Is meat sold fresh or frozen?

In China, most big box western retail chains process half carcasses on site. Others buy primals, mostly fresh. These are sliced in the store, and the sold both in a fresh meat case (where customers can ask the butcher to cut off a certain cut or weight) and in tray packs. Certain stores like Metro, which caters to small foodservice operators, also sell vacuum packages or plastic packaged, wholesale sub-primal cuts. Most sales in supermarkets are in fresh form, but frozen

portioned beef and pork items (e.g. thinly sliced beef, pork and lamb for hot pot) is sold in the frozen section. Sometimes steaks as well.

What kind of distribution network is in place for getting refrigerated products to the grocery stores? Do the grocery stores have refrigerated warehouse operations that truck to individual stores? Are these trucks refrigerated?

Few chains in China have central DCs. Most deliveries are to individual stores. This is expected to change to a more DC-type system in the future. Most big supermarkets demand their vendors supply meat to the stores in refrigerated trucks, but this still isn't universally the case. Half carcasses delivered to the wet retail markets are in "hot" form; freshly slaughtered.

Is there a recognition of US meat products and quality? Are customers willing to pay for US Meat? Do customers think that US meat products taste better or have a higher quality than beef and pork from other countries?

There is little retail sales history of either US beef or pork. Because of the lack of a chilled import infrastructure, all retail sales at this point have to be in frozen or defrosted form. Some stores that have carried US beef and pork in the past sold meat defrosted, but this is not ideal because of high drip loss and the quick changing of color of defrosted meat. Chinese would probably pay more for US meat than domestic meat under a controlled test atmosphere, but such a test would have to be conducted to verify that.

Are there any recognizable brands of meat products that are well known in grocery stores in China? Do they have any brands of meat products?

There are currently very few branded fresh meat programs, especially of a national scope. There are some limited beef programs – like Qingdao beef – and some organic/natural fresh pork programs, but probably 98-99% of fresh meat sold in supermarkets is commodity/generic. On the other hand, almost all processed meats – esp. chilled sausages and western hams and bacon – are sold in branded form, and there is generally high recognition of brands by urban supermarket shoppers of brands like Shineway, Yurun, and Hormel.

How price sensitive are meat products? Does price sensitivity have age or income barriers? Younger populations, who earn more, are not as price sensitive as older populations who earn less, as an example

With a high percentage of disposable income spent on food, Chinese consumers are highly price sensitive. That's a generalization of course, because there is a growing segment of the population, still small, that craves "the best". In general though, those with big money would tend to eat high-end meat products in foodservice outlets rather than buying them in retail stores. I would say age is not a determining factor of price sensitivity; of course, income level is.

Do grocery store chains run weekly specials, featuring certain products with price cuts or incentives? Do they use price declines, coupons, in store displays, point of sale materials, demonstrations of product usage, or in store flyers to indicate special offers?

Yes, stores run weekly promotions and featuring usually advertised in direct mailers or inserts, not unlike the USA. There is some couponing, but it is not as prominent as in western countries. Most promotions involve offering discounted prices for a weekend or slightly longer time periods.

Do the grocery stores do demonstrations on how to use meat products? Do any grocery stores or chains have cooking schools? What kinds of classes do they offer?

Most stores don't offer cooking classes to consumers, but this will probably change in the future as competition intensifies and stores seek to differentiate themselves from each other. When we promote meat in stores, such as in Taiwan – and in the past in China itself – we would run tasting demonstrations, and offer simple recipes. That is more or less standard operating procedure for MEF retail promotions throughout all of Asia. We would do the same in China if the market re-opened for US beef (see your question below).

Once US beef is opened for export to China, what would be the first steps to getting US beef products into the grocery stores?

We would commence immediate discussions with our retail partners (we have retained the contacts) and try to arrange for some introductory promotions to get product back on the shelf. We would probably try to invite some major retail buyers to the USA, and also offer some basic US beef merchandising training. WE would probably target a few of the more prominent chains, including RT Mart, with whom we work with intensely in Taiwan, and with others like METRO, and possibly Wal-Mart and Carrefour. There are also a few higher end retailers we would discuss US beef featuring with.

HRI segment

What types of restaurants/institutions use US Beef and Pork products?

All types. We don't have definitive data, but traditional Chinese restaurants are probably the largest user of US beef, especially bone-in short ribs and short plate, the 2 largest volume cuts we ship to the China area. Other users:

Chinese-style western – middle meats, boneless chuck short ribs, shin-shank, short ribs

Hot Pot – short plate and boneless chuck short ribs

Korean BBQ – bone-in short ribs, boneless short ribs

HK style teahouse (kind of western + Chinese restaurant menu together) – all cuts

Beef bowl – short plate

Western restaurants – steak cuts, pork ribs

For pork, mostly offal is shipped to China. These items are either further processed or used in very basic staff canteens for workers.

What recipes/dishes does each segment serve and which cut(s) are used?

There are many different recipe variations. In general though, US beef is either roasted, grilled, broiled or served as hot pot. It is rarely stewed in China. Chinese like the marbling attributes and thus seek to prepare it using dry heat methods.

What distribution steps does a U.S. product travel (what steps will it follow once market access opens) once it enters China, before it reaches its final destination?

Distribution chain: importer to distributor, usually in South China. From South China in several ton trucks to cold storage in major urban areas. From urban cold storages to restaurants box by box. Many restaurants will pick up products themselves from the cold storage facilities. In the future, if the market opens, product will likely enter the big cities directly, through the big ports (Shanghai, Tianjin, Dalian) and then move to cities where it will be distributed by small truck to hotel and restaurant accounts. U.S. beef and pork can pass through several layers of wholesalers before reaching end-users, esp for restaurants in second tier cities.

How does distribution system differ for wet market, grocery store, local restaurant, chain restaurant, resort restaurant, etc? Who are the best resources we can talk to about selling beef and pork for use by restaurants in China?

The distribution systems for the range of outlets you mention above are not drastically different. Supermarkets – especially the larger chains – impose more strict delivery requirements than restaurants (except hotels, which are strict as well). Some chain restaurants have central kitchens, and the trend will continue in this direction. As I recommended during our meeting in St. Louis, I would try and spend some time with a few beef importers in China. This is the fastest and most direct way to better understand the distribution and supply chain opportunities and constraints in China. There is just no good second-hand source readily available to explain how the imported meat supply chain operates. MEF can help set up meeting with importers if you can find time to travel to China. Your knowledge base will increase exponentially by viewing the process first hand.

What do you consider to be the major food trends in China today?

Just some below:

*Anything Japanese – esp sushi

*HK style teahouses

- * regional cuisines (e.g. Sichuan food in Northeast China)
- * convenience foods
- * wine (rather than cognac and white spirits) with dinner
- * Pizza/Italian

What restaurant associations in China like our National Restaurant Assoc, should we talk to or network with?

There is a Chinese Culinary Association in Beijing, and then regional members. Its large, but many associations in China are hangovers from when China was more centrally managed. These associations try and squeeze membership from restaurants, but offer little in return in terms of advocacy. The trade association as we know it is still in its infancy.

What is USMEF currently doing in the area of Chef education in China ?

We have an all China Chefs Club that provides training and US red meat usage incentives. Our next event is later this week in Sanya. Our emphasis is on education (recipes, trends, merchandising ideas) rather than promotion, although we do promotion with restaurants for pork. I can say that chef education is our largest resource user at the moment. We consider this the best strategy under the current access conditions in China.

Are there food shows in China designated for restaurant audiences, or do the big food shows reach both retail and foodservice?

There are food shows for imported foods, and those cater both to foodservice and retail accounts. There are two major shows; the SIAL China series and the Food and Hotel China series. You can google both to find out the schedules. USMEF tries to have a presence at both.

What is the approximate split between independent/local and chain restaurants in China ? Are chain restaurants, mostly US/international chains or are there large chains within China we should be familiar with?

There are very few western family style chains operating successfully in China, although the big QSRs like Yum and McDonald's obviously do well, as does Starbucks. But the real innovation is taking place by the local chains, which now are starting to proliferate. An example is the chain "Little Sheep", which has hundreds of outlets serving its lamb hot pot formula. I don't have an exact break out of independents vs. chains, but I see the trend toward national (rather than international brands) chains like Little Sheep. They generally start regionally, and then try and spread out in other cities.



MASBDA Value-Added Grant Program Interim Report

September 15, 2010

Introduction

The applicants were notified of an award from the Missouri Agricultural and Small Business Development Authority (MASBDA) Commissioners via phone and letter in early March, 2010. The grant requires this interim report to give updates on the progress of the work described in the MASBDA Value-Added grant application dated January 29, 2010.

The following is a summary of work from project from July 15 – September 15, 2010

FAST & Midwest China Hub Commission Organization

The Midwest China Hub Commission committed to NCBE with a partnership, where NCBE acts on behalf of China Hub to identify, evaluate, promote and generally support and publicize the opportunities for expanded marketplace for Missouri commercial cattle operations and Missouri beef and pork products. The National Center of Beef Excellence (NCBE) a not for profit corporation working under contract with the Midwest China Hub and the Missouri Pork Association to conduct a feasibility study of developing a back haul to China using Chinese Air Lines out of St. Louis Lambert Airport.

The FAST/NCBE efforts are set with an objective to determine feasibility of shipping beef and pork products to China through the envisioned Midwest China Hub in St. Louis. A team of food and agricultural marketing resources were brought together to find develop the background information for determining feasibility. The initial description of this effort has been used in a hand-out, which is attached as Appendix A.

Meeting with Jens Tubbesing – Aerostrata – July 21, 2010

Jens Tubbesing is the lead person for Aerostrata to develop airfreight feasibility study for China Hub and the Chinese Airlines. A meeting with Rex Ricketts, Mary Ellen Roth, Nancy Heimann, with Mr. Tubbesing highlighted the factors of:

- Demand-driven business case will be the most successful. He does not see a potential strategic advantage for St. Louis, Missouri over Chicago or Dallas because the St. Louis route will be based on flying a Chinese-owned airline. There will need to infrastructure investment at Lambert field to handle a high quantity of refrigerated or freezer goods, such as beef or pork. He suggested that mobile units would be adequate to start, and allow the business case to give justification for infrastructure build. This confirms previous finding by Roth and Ricketts when meeting with Rhonda Hamm-Niebruegge, Director of Lambert –St. Louis International Airport.
- St. Louis has a significant challenge to increase air freight for many reasons including the opportunity to get in while air freight was at a low point is passed. Air freight companies are booking high profits, and have reestablished routes/freight contracts into Chicago. When air freight was at it's lowest in 2009, there was an opportunity to slide in with new flights. The next visit/trip for face to face meetings with Chinese officials was pointed out as key to success of "The Big Idea".
- Aerostrata has just finished it's six-month work product with approvals needed from the Governor's office to complete the second six-month segment. We learned after this meeting that the further State funded was approved and the project is going forward.

The notes of the meeting with Jens Tubbesing is attached as Appendix A.

Drafting of Feasibility Reports – July/August

A guiding outline and several sections of the Feasibility Report have been drafted and are under review. The outline is attached as Appendix B.

Industry Feedback

We continue to engage discussions with stakeholders within the industry have been willing and enthusiastic to provide feedback and information regarding the feasibility of this project. We spoke with Mark Spangler of Sysco, as well as Roel Andriessen of Tyson. Notes from these conversations are included in Appendix C.

In addition, and in anticipation of being a part of the Chinese trip (described below), the NCBE team made contact with key beef producers in Missouri to gain some indication of the support for export expansion. Mark Aiken of Circle A Ranch, and Joe Maxwell were both contacted and found to have good knowledge and willingness to collaborate to maximize export potential.

Midwest China Hub Commission

Senatorial Delegation to China – August 28 – September 4, 2010

Senators Bond and McCaskill led a delegation of stakeholders from multiple industry groups, government officials, and economic development professionals to Beijing and Shanghai to advance “The Big Idea” to place air freight planes landing at Lambert Field.

Nancy Heimann attended on behalf of National Center for Beef Excellence, representing both the mission of NCBE Business planning effort, as well as in support of FAST/NCBE to support the China Hub mission. The Chinese air control agency (counterpart to US FAA) signed a memorandum of understanding to commit to sending a delegation of four airlines to St. Louis later in the fall, with a stated goal of selecting a Chinese airline and starting air freight flights in early 2011. The trip was viewed as a tremendous success. A copy of the news release issued by MCHC is attached as Appendix D.

On a more general note, . there was not one conversation/presentation/official meeting held in china that concluded without Senator Bond and/or Senator McCaskill pitching US corn-fed beef. There was general tone of the delegation to promote “Steaks on Planes”.

Senator Bond also made some progress for selling Chinese Chestnuts for buffer strips and non-point pollution control on Yantzee River. We stayed away from suggesting sending delegations to China to teach them how to raise larger quantities of protein. Most insiders here don't ever expect Chinese to have much interest in high production of beef . . . The agriculture liaison at the US Embassy had the opinion that high production of beef would take too much corn, and interfere with strategy to be grain independent.

Status/Progress of US Beef Export Negotiations with China

Briefing at US Embassy in Beijing – Meeting with Chinese Ministry of Agriculture

Both Senator Bond and Senator McCaskill were highly engaged to promote the export of US beef and pork into China. While there, Nancy had phone meetings with USMEF leadership

(Paul Clayton and Joel Haggard) and learned that the industry believed that the US Trade Representatives Office and the USDA were on the verge of sending a significant team of negotiators to China to resolve the issue of US beef into China.

This initiative was confirmed when the Senator's and the delegation visited with the US Ambassador to China at the US Embassy in Beijing. The agricultural liaison at the US Embassy was very hopeful of progress that would come from meetings that were scheduled to start on September 7-8. Based on the timeliness of the visit of Senator Bond and McCaskill just a few days ahead of the official trade delegation, we were able to coordinate the talking points to be used with the Minister Han, the Chinese Minister of Agriculture in order to confirm and reinforce the message of trade negotiation that were planned. US Ambassador told Senators Bond and McCaskill that he was confident we were going to get a staged clearance that started with boneless beef less than 30 months of age.

As we had heard in many conversations, the issue of import of Chinese chicken to US was tangled into the challenges of US beef and expanded US pork into China. The issue was that the chicken deal (for Chinese chicken into US) had been made in 2007 and was well into implementation when Congress intervened and halted the progress in 2008. That has pretty well squashed any talk of meat import export. Senator McCaskill was very strong in her support of the trade deal that was in place and voiced her non-support for Congress to intervene at the meetings with Ministry of Agriculture, and Ministry of Foreign Affairs. Although these two Chinese Ministries are not directly involved in opening up markets, their concurrence and/or support is very important to getting action in the Chinese government.

Meeting with Micheal Lin – September 2, 2010

While in Shanghai, Nancy Heimann met with Micheal Lin of Fine Meats, a distributor in China serving the hotel and restaurant market in multiple Asian cities. They work in multiple meats, including pork and beef, but also mutton, lamb, and veal.

PORK. Their firm currently works very closely with Cargill Pork and they are the company that has been shipping chilled pork from Chicago in the past few months. We had heard rumor that there were buyers in China getting pork airfreighted from Chicago, and we knew that USMEF was playing a role in facilitating that export. We don't know if there are others, but based on the quantities, they may be the only buyer currently shipping pork airfreight, as their quantity is about the total quantity we were told was being shipped. Their current shipment of pork is 1000 kg every 2 weeks or about 25 tons per year (at current rate). They expect this rate to increase as their customer base for US pork expanded. Mr. Lin was extremely interested in taking shipment of pork through St. Louis, if there was a cost advantage for doing so. He referred us to his international sales representative in Cargill to discuss how the St. Louis freight routes, if opened in early 2011, can help with expanding the shipments to this customer. They are currently paying \$1.5 per pound to ship air freight through Chicago on these shipments.

BEEF: This company is a buyer of airfreight chilled beef, with 300-400 tons per year of Australian middle meats. He would greatly desire a source of US beef that can be branded as US beef, especially Certified Angus Beef (CAB). He is currently paying the following for Australian beef:

- Strip Loin --- AUD 16/kilogram or USD 6.58 /lb
- Fillet (with) -- AUD 30/kilogram or USD 12.60/lb (note -- because of size of Australian typical cuts, they buy fillet with side meat not trimmed for some unknown reason).
- Cube Roll -- AUD 20/kilogram or 8.39/lb
- Short Rib -- \$4 / pound -- I'm not sure of the country of origin for short ribs, but he said he can get these on the grey market, but the price is getting higher.

AIRLINE: Mr. Lin voiced a preference for Chinese Eastern Airline as their freight carrier of choice, and even if this airline didn't fly the freight, they prefer to identify Chinese Eastern as the consigning partner. He said Chinese Eastern has a very high quality receiving for import with a lot of flexibility, good storage, good care, and well accepted as a import agent.

Future Activities

Based on the success of the Delegation to China, and the anecdotal role that beef export, and specifically "Steaks on Planes" played in the China trip, the FAST/NCBE team has been asked to help plan the visit by the Chinese airlines in October or early November. We will work with China Hub to give the Chinese airline officials a good taste of Midwest hospitality and experience the quality of beef and pork in Missouri.

Budget and Schedule Update

The budget and schedule are not proposed for modification. A final feasibility report is scheduled for September.

Appendix A – Meeting Notes – Aerostrata – Jens Tubbesing

July 21, 2010 – Meeting with Jens Tubbersing, Aerostrata

Meeting with Nancy and Rex, Lunch and meeting afterwards with Jens Tubbesing, Aerostrata
Our plans for selling beef overseas will have a long term focus; nothing can be accomplished in a short time period. We will need some sort of infrastructure for refrigerated products in place or planned out.

Supply chain management, with a focus on the refrigerated side, is what we need to insure that product arrives safely. The last 5 years has seen an increase in this segment of business mostly due to pharmaceutical business. One of the main concerns with pharmaceutical shipments is pilferage, which could be a problem with NCBE also, if people know that shipments contain high end delicious US beef.

Jens comment about “freight will find its own way” was that demand is most important. He said there is no preferential connection, it’s all about demand. If we find a buyer, there will be a way to get it there. There are companies who specialize in commodity management. His example of body remains, and Washington state cherries, 2 businesses with requirements for refrigerated shipping, shows that there is a way to figure it out.

If Lambert goes with Chinese airlines, it is not likely that there will be other stops along the route. It will be one city and backhaul to St. Louis. He also mentioned that with all the consolidation in the industry, not a lot of people will be open to taking risks or being really flexible.

One of his biggest hurdles is the way people recognize St. Louis. Everyone knows Chicago and Atlanta and Dallas, but not a lot of people are all that familiar with St. Louis. It is not that easy to “move an airline” once you have experience in another city. Even with delays, weather, etc. most companies are more comfortable with their current experience and not willing to try new. Plus, airlines know what kind of mechanical help they can get, if they have shipped in a Chicago or a Dallas. St. Louis does not have wide body aircraft flying in here now, so skilled mechanics would have to be sought, trained etc.

There are 3 companies who, like Envirotainer, have refrigerated units. Only Envirotainer has FAA certification right now.

Economics are good right now, business picking up, more shipping in first quarter this year, but still lots more work to do with governmentt agencies to get things moving.

The future does not come tomorrow morning that was a pretty good one!!

We must create the demand, political and economic timetables are not the same, need private business to take the lead, like a Ross Perot and his business now employing 27,000 in Dallas.

We need someone, not a government agency, to make things happen.

Right now there is a very positive business atmosphere, with a small window of opportunity. Several things we need to check out, are there import regulations for China, do they differ by province?

Can we get a cost comparison of beef in China from USMEF, that might help in determining cost structure for beef? Need to check USMEF and see what’s available.

Appendix C – Outline and Sections of Feasibility Report

Feasibility Outline

I. Introduction

- A. Background
- B. Project description
- C. Objectives

II. Feasibility Research Activities

- A. Meeting/call reports
 - 1. Contact list
- B. USMEF conference notes
- C. USMEF Web site
 - 1. Market intelligence
 - a) Metrics
 - b) Regional data
 - c) Consumer data
 - d) Popular cuts
 - e) Supply chain
 - 2. Market segmentation
 - a) Retail
 - 1) Grocery
 - 2) Wet market
 - b) Foodservice
 - 1) White tablecloth restaurants
 - 2) HRI (Hotel/Resort/Institution)
 - 3) Family restaurant
 - 4) Fast food
 - c) Processing
 - 3. Importers, distributors
 - 4. Competitive analysis
 - a) Domestic
 - b) Australia
 - c) Brazil
 - d) Others
 - 5. Regulatory
- D. Logistical capabilities/requirements
 - 1. St. Louis
 - 2. China

III. Summary Findings

IV. Feasibility

- A. Technical and operations feasibility
- B. Economic and profitability feasibility
- C. Market feasibility
- D. Financing feasibility
- E. Personnel, staffing, and management feasibility

Appendix C – Stakeholder Feedback

Notes from Mark Spengler conference call 7/28/2010

He has been exporting value added protein products since 1992, has worked for Swift/Con Agra, Jones Dairy Farm, Certified Angus Beef and now Sysco, managing all the Food service channels outside of the US. They do a lot with the Middle East, which has had quick double digit growth. In the last 2 years he has not done a lot with China, it has not been a focal point, but he had done quite a bit prior to the BSE problem. Sysco did a lot with the Olympics, went through a local government sponsored distributor and air freighted all food and some disposables. Not sure if any of it went to the Olympic Village, he was not that involved.

Primary export activity today, serving multi unit chains, like Wendy's, Yum! Brands for export. They do a lot of chicken, as well as condiments and sometimes branded paper products. They are starting to focus on more casual dining restaurants, like Ruby Tuesday's handling 2-300 items, not the large volume like we would see in a Sysco warehouse here. They do not have their own trucks. They are still in the very early stages for these activities.

Sysco has purchased a company in Ireland, traditional Food service last year and that may take on the Sysco identity. They also bought a manufacturer/distributor in Hong Kong, Guest Supply, for soaps and hotel amenities. They have lots of companies in Canada, 150-160 different operating companies. He does not have a lot of first hand info on beef for China right now. He said US beef does go into China "discreetly", Chefs know they use US beef but can't do the "hubbub", and there is not a lot at retail since they have to identify country of origin. Limited opportunities now if you cannot promote a brand of US beef.

Three beef arenas: Middle meats to fancy hotels and steakhouses, strips, steaks, tenders,

Retail- not really accessible, they use local beef, lots of recipes that use different preparation styles than US because of quality. These preparation styles do not take advantage of the unique qualities of U.S. beef (less marbled, longer cook times). Because of this, education very important – must get locals to understand not only to enjoy different flavors than they are used to, but also must educate on the higher value of U.S. beef.

Street level, smaller Mom and Pop stores, use bone in cuts, no interest in high quality U.S. beef

He said, once China is open, he would start by training Local Distributors, high-end niche food distributors focused on HRI ... those who are using Australian beef now and other high end imported products like European cheeses, and reeducate them on the advantages of US beef. Mark is certain CAB has already hand-selected the high-end distributors with which they'll work. Need to highlight the USDA grading system, no other country has one like this ... one which allows customer to choose level of marbling, prime, choice, select ... , then use the branded programs available through USDA, USMEF like Angus pride, Certified Hereford Beef and "G" scheduled programs. He said there are great opportunities to get involved in educational programs with USDA. Need to educate distributors on how differences in marbling scores impact cost, seasonality of cuts – which cuts sell best when? Need to build confidence with distributors, to be able to answer questions like longer transit times aging prior to freezing, 28 days on strips, what protocol is in place?

Niche high end distributors in Shanghai and Beijing, you need to participate in the market. Must go lots of times at least 3 times in 18 months. Do a trade show with USMEF, show up again and

talk to distributors, then come back again. He said big mistake it that most people go once and that's it. Need to be committed and build credibility as a supplier. Many packers have local staff, local sales people, should market to packers and talk to freight forwarders also. Freight forwarders he has used. Kuna Nagel, Nippon Express and Kin Kitsui, bigger names in refrigerated cargo.

Mark has developed entire distribution chains around air freight. He doesn't care where it ships from. If St. Louis is competitive, he would truck product there to ship.

Airfreight rates are expensive, we need to be competitive.

2800 pounds can be \$27,000-\$30,000.00, so it is scary if something happens to a shipment.

That's why he works with people he trusts, who know how much dry ice to use, if held for too long, know how much to re-ice, consignee has a complete set of documents before flight takes off, call the customer to let them know shipment is coming. Freight forwarders problem if product does not get there in good shape. He uses temperature recorders 1 inside, 1 outside of container.

Can ship CIF or CNF, delivered. Work with local customs and duties people; some can deliver to a distribution company, can be one or two layers.

He suggested we talk to the Asia guy for Certified Angus Beef, Daisuke Shimojima, CAB website is a good place to go, it does have a list of all their international high distributors

<http://www.certifiedangusbeef.com/cgi-bin/dist.cgi>.

He really likes USMEF.

Could cost 3500.00 to ship a container, and LD#, with 3000 pounds of product and dry ice, could cost 2400 to Europe, 7000 to Azkahanistan, 4800 to Asia, he thinks about 1.25 – 1.75 per pound including dry ice and shipping. He likes Envirotainers is looking for ways to use them, but their "stations" are limited to certain locations.

Some business is built around air freight as a direct cost and component. Some is because it's an emergency situation or the ocean container has already left. Produce and pharma, cost is built into their plan. He's developed plans from the get go, so they know they have an order that goes every 8 weeks or whatever.

He's attending and speaking at the Food Export Association of Midwest USA (formerly MIATCO) meeting Food Export Marketing Forum in Chicago Sept 28.

EMAIL Exchange between Rex Ricketts and Roel Andriessen of Tyson

From: Ricketts, Rex E.

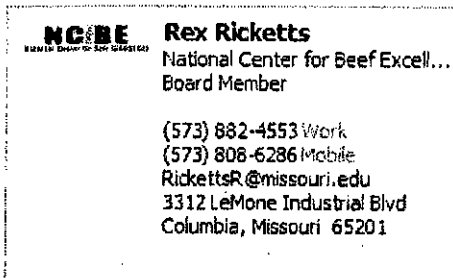
Sent: Tuesday, July 13, 2010 3:57 PM

To: Andriessen, Roel

Subject: National Center for Beef Excellence NCBE and China Hub Commission

Mr. Roel Andriessen: I represent the National Center of Beef Excellence (NCBE) a not for profit corporation working under contract with the Midwest China Hub and the Missouri Pork Association to conduct a feasibility study of developing a back haul to China using Chinese Air Lines out of St. Louis Lambert Airport. The funds for this project are provided by the Missouri Agriculture Small Business Development Authority (MASBDA). The focus of the feasibility and business plan is air freighting Pork and Beef to China; I have attached a brief summary of what this project is about and who NCBE is. We attended and were a sponsor at the USMEF meeting in St. Louis and had hoped to be able to visit with you there but simply ran out of time.

We are interested in talking with you and any others from your company that you suggest about this project to determine your interest in being a part of this effort. I have attached a brief summary about the National Center for Beef Excellence and this project. I look forward to visiting with you.



From: Andriessen, Roel [mailto:roel.andriessen@tyson.com]
Sent: Tuesday, July 13, 2010 4:21 PM
To: Ricketts, Rex E.
Subject: RE: National Center for Beef Excellence NCBE and China Hub Commission

At this moment, I see very little opportunity for the following reasons:

1. Currently, US Beef and Beef VM products have no access to the China market (BSE related). It is uncertain if and when US-China negotiations for Beef access will be concluded.
2. Currently, US Pork (muscle meat) is unable to compete with cheap Chinese pork. China has a domestic oversupply situation that is unlikely to disappear soon.
3. US Pork frozen VM items that are shipped to China typically are very cheap and the vessel versus air freight economics would not work.

Although we do not specialize in this type of business, opportunities for air freighting Beef (and to a lesser extent Pork) would have to come from niche business for the upscale Hotel and Restaurant sector that would take high end quality cuts, once market access for Beef has been established and / or US Pork cuts are economically priced.

Sorry not to have a more positive outlook for this project but this is the current state of the China market as we see it today for our business. Things can always change but, also based on experiences in other markets for US Beef and Pork, airfreight seems unlikely for this business

Regards, Roel

From: Ricketts, Rex E. [mailto:RickettsR@umsystem.edu]
Sent: Tuesday, July 13, 2010 4:46 PM
To: Andriessen, Roel
Cc: Turner-Spencer, Katrina L.; 'Carol@mariposapr.com'; 'Steve Dubinsky'; 'Mary Ellen Roth (meroth13@sbcglobal.net)'; 'Chad Sayre'; 'Nancy Heimann'; 'Orth, Nell (American-International Charolais Association)'
Subject: RE: National Center for Beef Excellence NCBE and China Hub Commission

Roel: Thanks for your quick response. We are very much aware of the challenges of this project. However this project is about the future and the development of a Cargo back haul using Chinese Airlines out of Lambert International Airport in St. Louis, Missouri. Four Chinese Airlines have agreed to pay for a feasibility study we have a meeting next week with the company that is under contract with the Midwest China Hub Commission. Would you be willing to meet with us in the future as the project evolves. I'm sure we would gain a lot from that visit and we would like to present more information about the project. We are seeking knowledge and information not money.

Dr. Rex Ricketts,

Appendix D – Midwest China Hub Commission News Release

Contact: Nancy Schnoebelen Vice President, Marketing & Communications

314.615.7617, nschnoebelen@slcec.com

FOR IMMEDIATE RELEASE

U.S. Senators Bond and McCaskill Report on Progress Made on Midwest-China Hub Development

ST. LOUIS, September 8, 2010--Last week, United States Senators Kit Bond and Claire McCaskill led a delegation of government, business and civic leaders along with the Midwest-China Hub Commission back to Beijing and Shanghai. The Senators held the most recent of several meetings with the Vice Premier of China, Wang Qishan, who continued to express support for this project. A highlight of the trip came with the signing of a Memorandum of Understanding (MOU) between Lambert-St. Louis International Airport and the China Air Transport Association (CATA).

This MOU signaled the deepening commitment of the Chinese toward this new air freight trade route—a route that will provide new markets for Midwestern produced goods. Agreement was reached on a path forward for future negotiations. The CATA will send a delegation to St. Louis in October that will include representatives from the Civil Aviation Administration of China (CAAC) and four Chinese airlines that have demonstrated an interest in St. Louis operations.

"St. Louis has long been known as the Gateway to the West, but after our successful trip to China, I'm confident we can make this city the Gateway to the East, creating new jobs for Missourians and new markets for our products," said U.S. Senator Kit Bond. "If the progress we made on this trip continues, next year we will be celebrating the first of many Midwest-China Hub flights that will fuel the jobs of the future in the Heartland."

"China has a growing middle class, and this has the potential to be a huge market for American exports," McCaskill said. "This trip was about tapping into this market and making sure St. Louis is a hub for the Midwest's exports, and we made real progress in advancing these goals."

The Senator-led delegation consisted of local state, and federal officials as well as Midwest China Hub Commission board members, civic, academic, organized labor and business leaders. Stephen Perry of the London Export Company and Chairman of the 48 Group Club played a key role in guiding the delegations efforts. The delegation met with the Civil Aviation Administration of China, CATA, Chinese airlines, as well as government entities such as the Ministry of Commerce, Ministry of Foreign Affairs, and the Shanghai Municipal Government, among others.

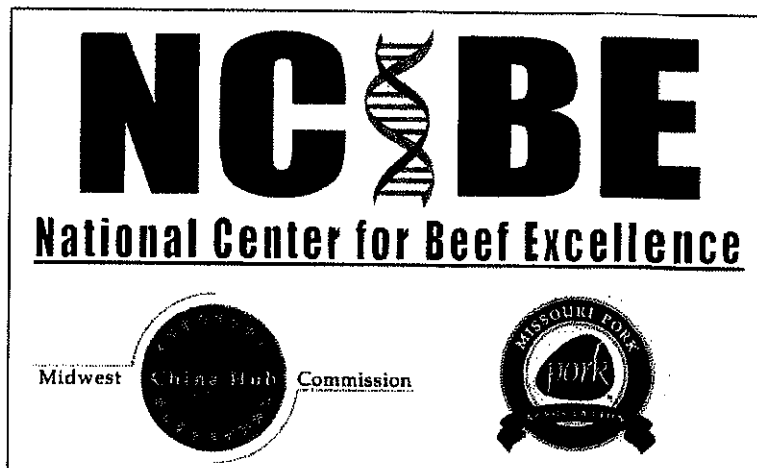
"The strength of this delegation lies in the breadth of its support. We saw business leaders joining labor officials; Democrats working with Republicans, a testament to the potential impact of this project for the St. Louis region," said Commission Chairman Mike Jones. "We appreciate the time and effort these regional leaders have committed to such an important endeavor for the region."

The underlying mission of the delegation's trip to China is to strengthen economic ties with Chinese government officials and business leaders to create new markets for Midwestern goods in China. Members of the delegation met with the All China Federation of Industry and Commerce (ACFIC) and the China Council for the Promotion of International Trade (CCPIT). A business delegation led by the ACFIC will visit St. Louis in November. The hope is that continued business level interactions will yield opportunities for area businesses to expand trading relationships and develop new product markets.

About the Midwest-China Hub Commission

The Midwest-China Hub Commission, known as "The Big Idea," is a public-private collaboration among St. Louis and Missouri governmental officials and business associates working together to establish an economic partnership with China. Formed in 2009, the Commission proposes that the St. Louis region become China's primary gateway into the American heartland through dedicated cargo flights connecting the Midwest U.S. with China.

###



MASBDA Value-Added Grant Program Interim Report

December 15, 2010

Introduction

The applicants were notified of an award from the Missouri Agricultural and Small Business Development Authority (MASBDA) Commissioners via phone and letter in early March, 2010. The grant requires this interim report to give updates on the progress of the work described in the MASBDA Value-Added grant application dated January 29, 2010.

The following is a summary of work from project from September 15, 2010 – December 15, 2010

Visit of Chinese Airlines to St. Louis

A delegation of multiple Chinese airlines visited St. Louis from October 31 – November 4, 2010. The delegation was hosted to a presentation and dinner at the Missouri Botanical Gardens on November 3, 2010. The meeting/presentations were held in the afternoon, followed by dinner. The meetings included:

- Governor Nixon greeted the delegation with prepared comments advocating for the establishment of a Chinese air route.

- Senator Kit Bond visited the delegation with greetings and encouraging words about the efforts to establish a trade route.
- Gov. Nixon and Sen. Bond were available for pictures of the event.
-
- INSERT PICTURES
- Dr. Ron Plain presented information about the potential export via air freight. A copy of his presentation is attached as Attachment A.
- Several industry stakeholder leaders spoke to the group, including:
 - John _____
 - Mark Hitt, Missouri Department of AG
 - _____, Pork Producer from Monroe City, MO
- Dinner was enjoyed by the Chinese delegation as well as China Hub leadership team members. In addition, there were several beef and pork producers including:
 -
 -
 -
 -
 -
- Dick Fleming was the Master of Ceremonies for dinner comments.
- Chad Sayre, Chairman of NCBE also made comments, and introduced the beef and pork producers in the audience.
- The dinner was sponsored by the following groups:
 - Missouri Beef Industry Council
 - Missouri Pork Producers
 - Missouri Corn Growers
 - Spencer Fane Britt and Browne (sponsored the evening's bar tab, so as to segregate all non-alcoholic expenditures)

The follow-up to dinner meeting indicated the Chinese delegation was very complementary of the hospitality of the evening. There are discussions being initiated to pull together a delegation of growers to visit China in the first half of 2011.

Attachment A



Analysis of Red Meat to China

Dr. Ron Plain
Professor Agricultural Economics
University of Missouri -- Columbia

November 3, 2010

Production of Red Meat – US and Region

Year	Missouri, Iowa, Illinois Production (MT)	Total US Production (MT)
2005	4,373,582	20,734,147
2006	4,638,166	21,562,823
2007	4,971,242	22,082,827
2008	5,347,002	22,781,729
2009	5,229,838	22,350,585

USDA/NASS Annual Livestock Slaughter

US Exports Beef & Pork Globally

Year	US Beef Exports to World (MT)	US Pork Exports to World (MT)
2005	472,668	1,157,689
2006	655,920	1,262,499
2007	771,196	1,305,622
2008	984,712	2,052,447
2009	897,376	1,865,745

US Meat Export Federation (USDA FAS)

3

Historic Export of Red Meat to China

Year	Total Value (\$)	Total Quantity (MT)
2005	\$93,753,000	79,527
2006	\$82,531,000	63,108
2007	\$195,135,000	117,073
2008	\$288,703,000	155,336
2009	\$63,052,000	40,810
2010 (Jan - Aug)	\$58,893,000	35,272

USDA FAS GATS Database

4

Value Analysis – US Red Meat to China – Using USDA FAS Historical Data

Product	Total Value	Total Quantity (MT)	Calculated Value (\$/MT)	Avg Quantity (MT/Year)
Fresh Beef	\$485,000	137	\$3,532/MT	85 MT
Frozen Beef	\$1,421,000	401	\$3,541/MT	250 MT
Fresh Pork	\$18,404,000	20,969	\$878/MT	3,242 MT
Frozen Pork	\$409,751,000	238,572	\$1,718/MT	72,177 MT
Variety Meats	\$357,000,000	231,048	\$1,545/MT	62,885 MT
TOTAL/AVG	\$1,217,122,000	751,208	\$1,620/MT	214,395 MT

USDA FAS GATS Database

Totals are cumulative from January 2005 – August 2010

5

Market Trends – Pork Products

PORK

Chicago Shipments (as indicator of Midwest Airfreight)

- 2005 – 56 MT
- 2006 – 6 MT
- 2007 – 647 MT
- 2008 – 2,035 MT
- 2009 – 6 MT

Trade Restrictions Shut-Down Meat Shipments in 2009

Current Outlook

Pork exports to China are Restarting with Restrictions in 2010

Shanghai Distributors are Importing Small Quantities Air Freight

Expected to Return to pre-2009 Over Next 2-3 Years

Variety Meats Still Strong – Some Higher Value

6

Projection of Airfreight Quantities – Method for Pork

- Analyzed Value by Customs Office Line Item
- High Value Products – 25% Potential for Air Freight
- Middle Value Products – 10% Potential for Air Freight
- Low Value Products – 5% Potential for Air Freight

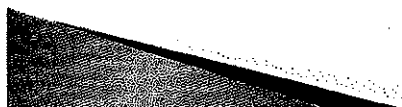


7

Projection of Pork Airfreight Based on Value

Normalized Value (by Customs Code)	Market Share for Airfreight	Description	Total Quantity
Over \$4,000/MT	40%	High Value – Time Sensitive	62 MT
\$2,500 – \$4,000/MT	25%	Mid Value	5,667 MT
Under \$2,500/MT	5%	Low Value – Expediting Only	5,694 MT
TOTAL	ALL US	Air Freight	11,423 MT
Missouri Iowa Illinois	44% of US Production		5,026 MT

USDA FAS GATS Database



8

Conclusions

- ✦ **Airfreight Potential* – St. Louis Lambert – Pork**
 - 3,000 – 5,000 MT/yr in 3 years
 - Emulating Chicago 2008 Shipments – 2,000 MT in 2008
 - Airfreight Projection for Pork – 5,000 MT
 - Trade Expansion Could Yield Upside of 7,000 – 10,000 MT/yr
- ✦ **Ready Supply Centered Around St. Louis**
 - States of Missouri, Iowa, Illinois produce 44% of US Pork
- ✦ **Market Opportunities for High Value Products**
 - Fresh Pork, Variety Meats, Prepared Meats
- ✦ **Shippers**
 - Headquarters, Processing Plants are Centered in Midwest
 - Awaiting Expansion of Chinese Markets with Distribution Network

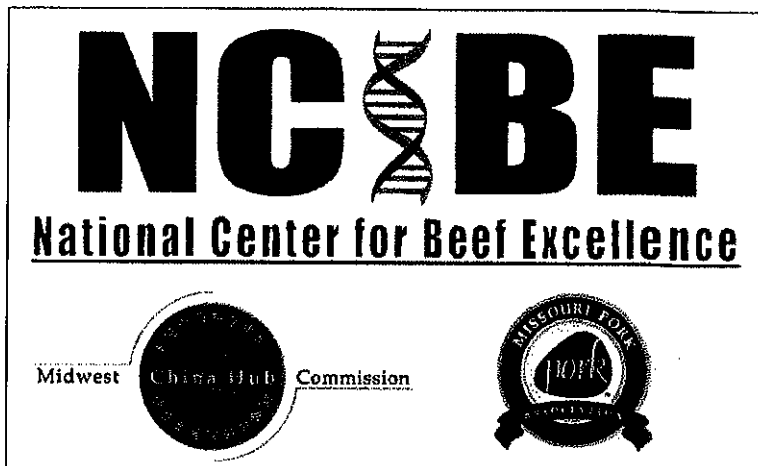
*Potential Assumes Current Market Trends Continue and Governments Cooperate to Increase Market Access

9

Next Steps

- ✦ **Visit the Processing & Production Plants in Midwest**
 - Iowa
 - Missouri
 - Illinois
- ✦ **US Meat Delegation to Travel to China**
 - Ministry of Agriculture
 - Pork Industry in China
- ✦ **Chinese Meat Distributors Delegation to Midwest**
 - Production Facilities
 - Exact Specifications

10



MASBDA Value-Added Grant Program Interim Report

March 31, 2011

Introduction

The applicants were notified of an award from the Missouri Agricultural and Small Business Development Authority (MASBDA) Commissioners via phone and letter in early March, 2010. The grant requires this interim report to give updates on the progress of the work described in the MASBDA Value-Added grant application dated January 29, 2010.

The following is a summary of work from project from January 1, 2011 – March 31, 2011.

MidWest China Hub Commission Delegations to China

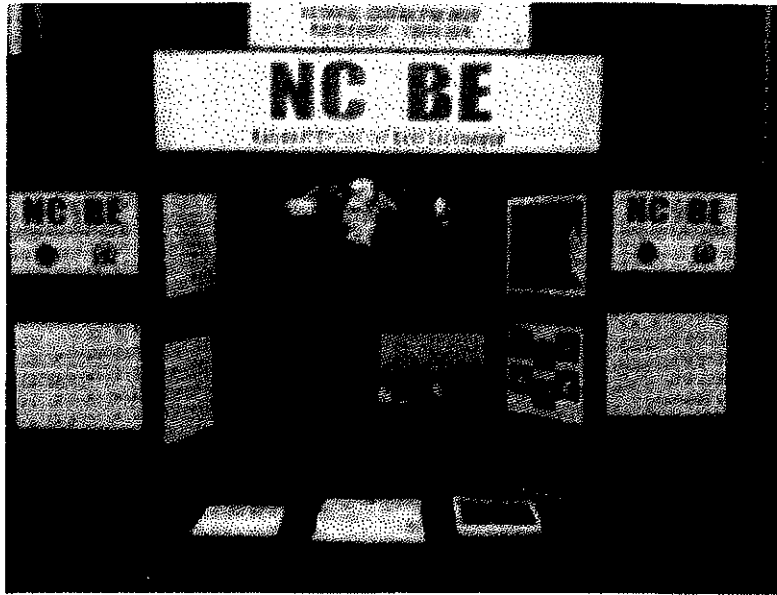
There have been discussions over the past several weeks about a delegation or multiple delegations to be led by Governor Nixon and/or Senator Blunt and Senator McKaskill. The China Hub has asked NCBE to help coordinate the members of the delegation. Upon last conversation, a late summer or early fall date was being contemplated to include Governor Nixon.

MidWest China Hub Efforts in 2011 General Assembly

There are efforts by the City of St. Louis and Airport to develop significant economic development initiatives with the proposal of the "Aerotropolis" bill to the Missouri General Assembly. As proposed, the bill would Establish the Aerotropolis Trade Incentive and Tax Credit Act to encourage foreign trade by authorizing the St. Louis City Mayor or the executive officer of certain counties to designate a gateway zone. The incentives are proposed to help develop the availability of refrigerated space near the airport, so that the feasibility of shipping fresh or frozen protein (beef or pork) products would be more attractive. The bill is currently in the General Assembly.

Attendance at Mo Pork Expo

The NCBE exhibited and attended the Mo Pork Expo held on February 8, 2011. There was interest in the project from the pork producers attending.



Update for Senator Blunt

During the Mo Pork Expo, Rex Ricketts and Nancy Heimann of NCBE, along with Don Nikodim of Mo Pork Producers and Jeff Windett of Missouri Cattleman's Association met with Derrick Coates and Don Lucetti of Senator Blunt's staff. The Senator had asked for the briefing and update. Rex reviewed the history of NCBE and it's collaborative relationship with the other groups, as well as the work with Midwest China Hub Commission.

Budget and Schedule Considerations

Based on the ongoing work in MidWest China Hub Commission to develop facilities, there is need to further evaluate feasibility beyond the current information accumulated. Rex Ricketts and Don Nikodim are scheduled to meet in the next week to work through a proposal for amending the schedule and budget.

China Delegation Travel and Hosting – September 2010 – November 2010

NCBE was invited to participate in the China Hub Delegation to China. The travel charges for this trip were reimbursed with MASBDA grant funds, 50% from the FAST/China Hub grant described in item 5 above, and 50% from the original MASBDA Feasibility Grant awarded to NCBE. In preparation for the trip, various documents/emails/phone conversations were work product, including but not limited to, the following:

Heartland Steaks on Planes Project Proposal 9 1 2010

Email 8 22 2010 Stephen Perry RE Beef Pilot Project

The NCBE team helped coordinate the follow-up visit of Chinese airline representatives with a dinner at the Missouri Botanical Gardens, and coordinated a preliminary review of the supply feasibility which is the subject of the MASBDA work. The following work product is attached:

China Hub Pork Presentation 11 3 2010

China Hub Botanical Gardens Pork Dinner 11-3 Guest List

FUTURE – Finalization of MASBDA Grant-Funded Feasibility and Commercialization Plan for Expansion of Pork Export to China

Work by the NCBE team continues to develop the Feasibility and Commercialization Plan for expansion of protein product export to China. A Feasibility Plan is scheduled for delivery early summer 2011, with finalization of the plan in fall 2011.

National Center for Beef Excellence



Nancy Heimann – Nancy@EnginuityWW.com – 573-682-0042

Midwest



Commission



Proposal for "Steaks on Planes" Pilot Project September 1, 2010

Missouri, along with its neighbors; Kansas, Nebraska, Oklahoma, and Iowa, form an area of the United States known as the Heartland. Missouri and the Heartland is well-known for lush and expansive natural resources, and large production capabilities for high quality, well-marbled, corn-fed beef and high quality, nutritious pork.

Missouri is the home of over 4.25 million cattle being raised on over 60,000 cattle farm operations. These operations are responsible for producing over 1.35 billion pounds of high quality beef each year. The "Green Hills" of Missouri benefit from lush grasses and a temperate climate to foster health and strength into young beef cattle, then the beef cattle are matured or "finished" for beef products through controlled production techniques that give rise to a well-marbled, highly flavorful beef product, unlike any available on the global market. The carcass qualities of Missouri beef is underpinned with strong ties to the high-performance genetic characteristics of beef breeds like Charolais, Angus, and Hereford, all which have their breed association headquarters in Missouri.

Missouri is also home to over 2.75 million swine, as well as new state of the art pork processing plants, capable of fabricating over 800 million pounds of pork yearly. Transitions of pork production to increased size of operations, along with improved genetics and highly efficient production processes have allowed for continued improvements of quantity and quality of Missouri pork.

The Heartland has a long history of feeding discriminating consumers of beef around the world. Missouri farmers and ranchers in the 18th and 19th Centuries adapted their processing, shipping and packaging to provide beef and pork to Chicago, New York and entire US eastern seaboard. Missouri pork is enjoyed by consumers around the world. Missouri beef is being delivered to global consumers, including Korea, Japan, and Europe. However desirable, China's consumers have been outside the full scope and reach of the World's best protein products. Trade policies, outside the influence of beef producers, have all but eliminated the promise of sharing the quality and flavor of Missouri beef with Chinese families.

The Midwest China Hub is ready to stand in the gap, and is proposing a strategic pilot project initiative to serve Chinese consumers and provide a reliable supply of Missouri beef and pork into controlled segment of the China distribution chain. The Midwest China Hub is ready, able and prepared to fill the void by providing the necessary Missouri producers to make high-quality beef and pork products available to Chinese restaurants, hotels, and grocery stores. We propose the pilot program, as described on the attachment.